Report to the General Assembly:
Summary of Annual Reports Filed by Electric Utilities
Required by PUA § 16-130 of the Electric Service Customer Choice and
Rate Relief Law of 1997

Illinois Commerce Commission

August 2000

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About This Report

Public Act 90-561 (P.A. 90-561), effective December 16, 1997, (the 1997 Revisions) modified the Public Utilities Act (PUA, or the Act) by adding new sections and revising others. The new sections are Article XVI (Electric Service Customer Choice and Rate Relief Law of 1997) and Article XVIII (Electric Utility Transitional Funding Law). Other sections of the law were modified, including PUA §§ 5-104, 7-204 and 9-220. Public Act 91-50, effective June 30, 1999, added to and amended the 1997 changes.

Illinois electric utilities are required to annually provide information to the Illinois Commerce Commission (ICC) in order to comply with the eleven requirements set forth in PUA § 16-130 of the Public Utilities Act. PUA § 16-130 provides in part:

> **§ 16-130. Annual Reports. The General Assembly finds that it is necessary to have reliable and accurate information regarding the transition to a competitive electric industry. In addition to the annual report requirements pursuant to Section 5-109 of this Act, each electric utility shall file with the Commission a report on the following [eleven] topics…**
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> **§ 16-130(b) The information required…shall be filed by each electric utility on or before March 1 of each year 1999 through 2007 or through such additional years as the electric utility is collecting transition charges…**
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> **§ 16-130(c) …the Commission shall submit a report to the General Assembly which summarizes the information provided by each electric utility under this Section;**

Part 1 of this report provides an overview of the electric utilities' financial condition and activities since December 16, 1997, the effective date of the new law.

Part 2 of this report summarizes Illinois electric utilities' responses to the eleven requirements set forth in PUA § 16-130.

Introduction/Background

Illinois’ investor-owned electric industry is experiencing significant change as it shifts from a regulated to a competitive environment.

Mergers and acquisitions

The 1997 Revisions eliminated the ICC’s regulatory oversight of reorganizations (mergers) involving Illinois electric utilities, except for a merger involving two or more Illinois public utilities. Four of Illinois’ electric utilities have notified the ICC of planned mergers since passage of the 1997 Revisions. In the instances where the proposed merger involved both electric and natural gas segments of a combination company, the ICC retained approval authority over only the natural gas portion of the transaction.

?? Unicom’s (ComEd’s parent company) merger with PECO Energy Company, a Pennsylvania-based utility, was announced in September 1999, and is expected to be completed during the fall of 2000. The new holding company will be named Exelon and will be headquartered in Chicago.

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?? Illinova (Illinois Power’s parent company) and Dynegy, a Texas-based company, announced their agreement to merge in June 1999. The merger was completed on February 1, 2000.

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?? MidAmerican Energy Holdings, the parent company of MidAmerican Energy, entered into an agreement to be acquired by CalEnergy in August, 1998. Upon completion of the merger on March 12, 1999, CalEnergy was renamed MidAmerican Energy Holdings. In October 1999, MidAmerican Energy Holdings agreed to be acquired by a group of private investors that included Berkshire Hathaway. The acquisition was completed on March 14, 2000 and the parent company is headquartered in Nebraska.

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?? CILCORP, the parent company of Central Illinois Light Company (CILCO), announced in November 1998 that the AES Corporation, a Virginia-based company, offered to buy CILCORP. The acquisition was completed on March 10, 1999.

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?? Central Illinois Public Service Company and Union Electric announced in 1995 that they had entered an agreement to merge. Ameren, a registered public utility holding company headquartered in Missouri, was created in 1995, and the merger was completed on December 31, 1997.

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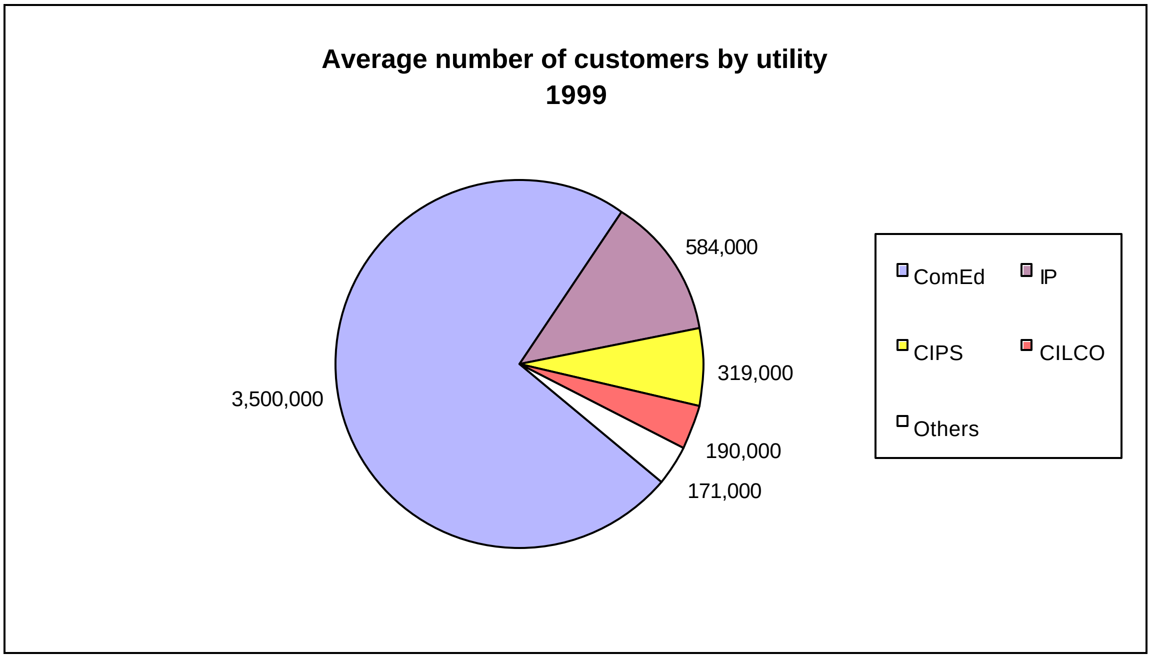
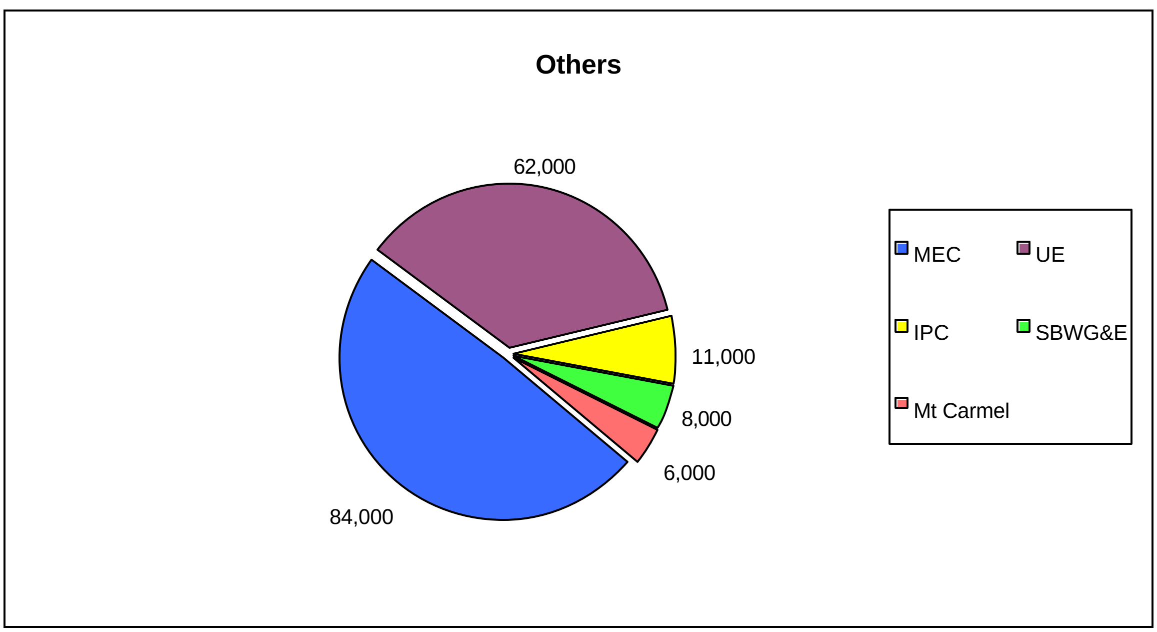
?? Wisconsin Power and Light, the parent of South Beloit Water Gas and Electric (South Beloit), Interstate Power Company and IES Industries announced their intention to merge in early 1996. Upon completion of the merger on April 21, 1998, Interstate Energy Corporation (subsequently renamed Alliant Energy) a registered public utility holding company, was created with headquarters in Wisconsin.

Customer Comparisons of Illinois Utilities

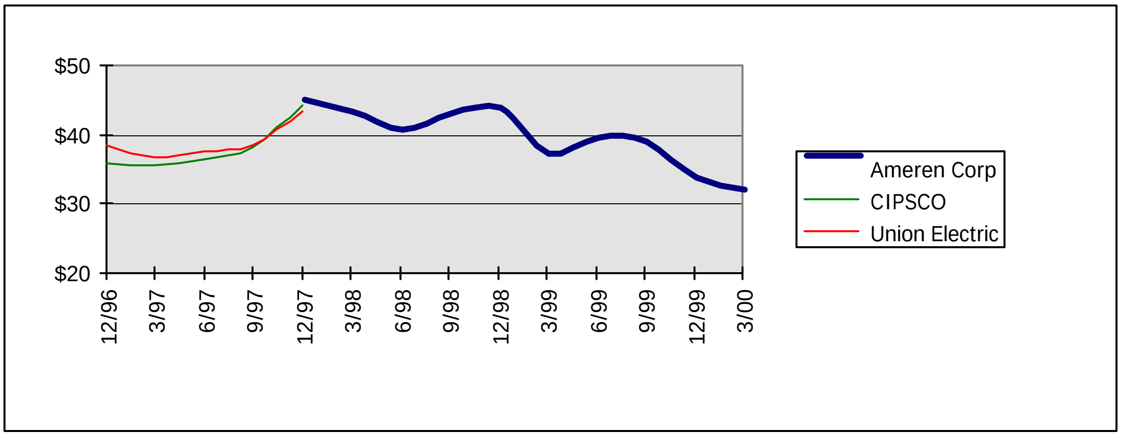


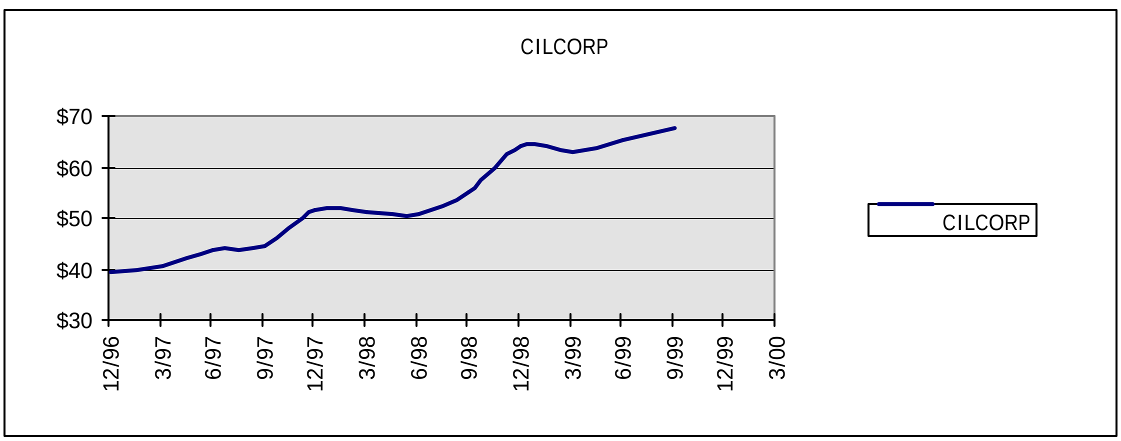


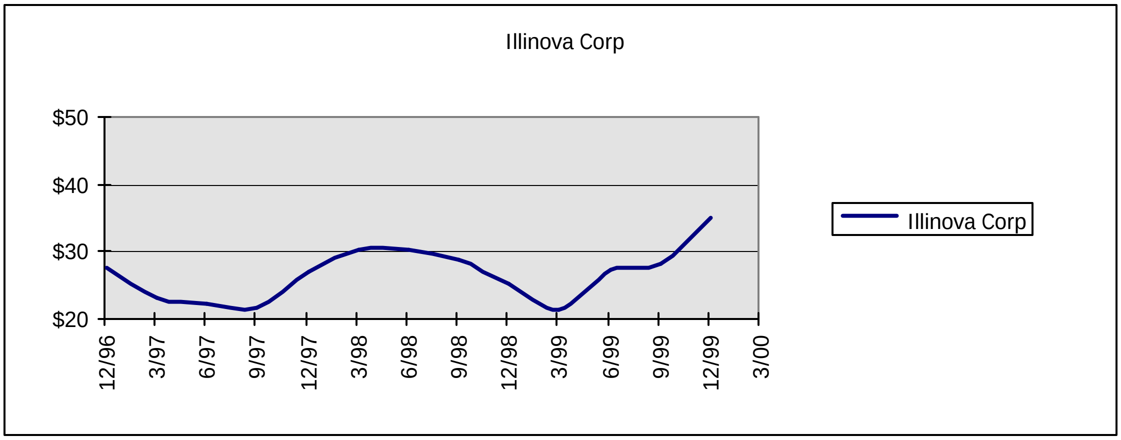
There are nine investor-owned electric utilities operating in Illinois. Electric cooperatives and municipal electric systems also provide electric service in Illinois. The graphs on page 5 compare the nine electric utilities according to number of customers.

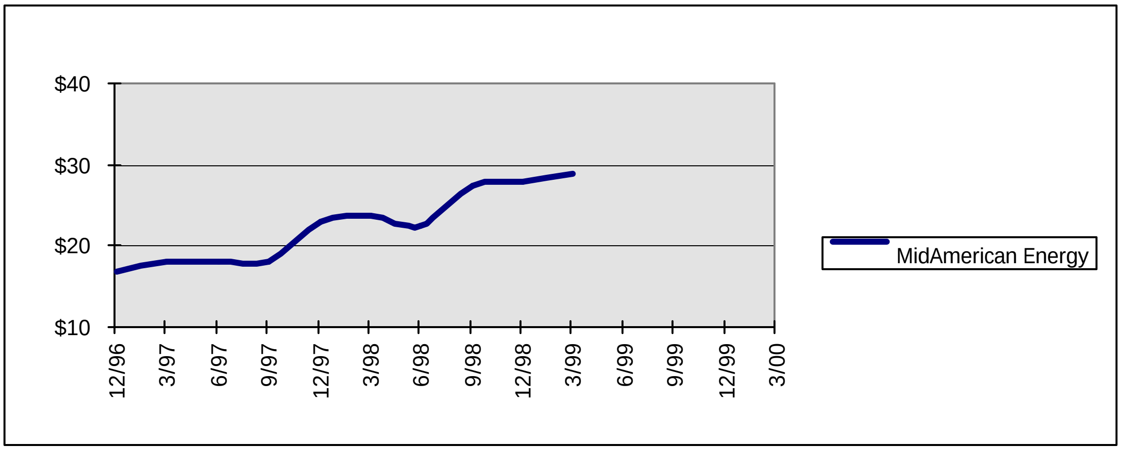
Stock Prices

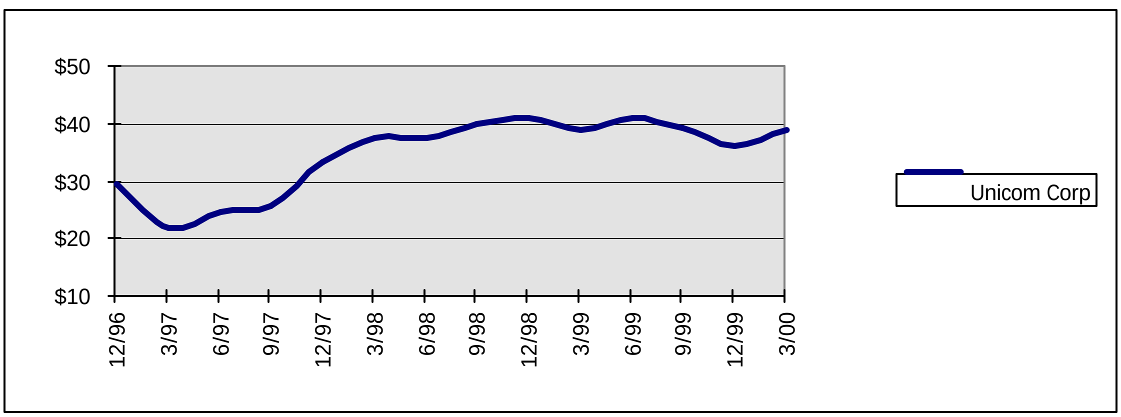
The following charts present quarterly stock prices for selected Illinois electric utilities and/or their parent companies. The impact of the 1997 Revisions on stock values is difficult to evaluate due to recent mergers and acquisitions and due to the fact that there is no discernible trend in the charts. The companies whose stock prices rose are predominantly unregulated energy companies. The timeframe of their post-utility merger existence is not long enough to draw any conclusions.











Generating plant transfers and sales

The 1997 Revisions significantly reduced the ICC's regulatory review of generating plant sales and transfers. Since that time, ComEd, Illinois Power and AmerenCIPS have sold, transferred or announced an intention to transfer all of their generating assets to third parties or non-regulated affiliate companies thereby essentially removing these assets from Commission oversight.

?? ComEd sold its fossil generating plants beginning with the sales of State Line (1997) and Kincaid (1998) and concluding with the sale of all remaining generating assets in 1999. The 1999 sale of generating assets totaled $4.8 billion, and, after taking into account the book value of $1.1 billion and additional costs associated with the sale, produced a pretax gain of $2.8 billion. ComEd also announced its intention to transfer its nuclear generating plants to an unregulated affiliate.

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?? Illinois Power (IP) sold the Clinton Nuclear Power Station (1999) to AmerGen for $12.4 million. In 1998, prior to the write-down of Clinton to a fair market value of zero, the plant's net book value was $2.6 billion. Also in 1999, IP transferred its fossil generating plants to an unregulated affiliate named WESCO.

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?? AmerenCIPS transferred all of its generating plants to an unregulated affiliate effective in 2000.

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?? The terms of each of the above listed plant sales and asset transfers include agreements which require those utilities that are divesting their facilities to purchase all or part of the output of the generating plants for a specified period of time. These agreements are designed to ensure that the incumbent utilities retain a sufficient supply of generation to meet the utilities' obligation to serve their bundled service customers during the mandatory transition period.

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Fuel adjustment clause eliminations

? The Uniform Fuel Adjustment Clause (UFAC or clause) operates to pass through to customers the prudent actual cost of purchased power and fuel which is burned to generate electricity. Historically, as the price for purchased power and fuel rose or fell, the charge to customers followed. The 1997 Revisions gave utilities the option of eliminating the fuel adjustment clause from their rates. When some companies elected to eliminate the fuel clause, a fixed price for purchased power and fuel was included in customers' rates and resulted in the following scenarios: if the company incurs actual costs that are lower than the fixed level charged customers, the company benefits, but if actual costs are higher, the benefit accrues to the customer.

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?? On December 16, 1997, the effective date of the 1997 Revisions, ComEd opted to eliminate its UFAC retroactive to January 1, 1997. The action did not require the company to change the base rates the company charged its customers, but the elimination of ComEd's UFAC did require the company to refund $43 million to customers representing net charges for 1997. ComEd states they have not maintained the programming capability to calculate whether customers paid more or less for fuel costs in 1998 and 1999 than would have been paid if the UFAC had not been eliminated.

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?? IP opted to eliminate its UFAC effective March 7, 1998, retroactive to January 1, 1997. The 1997 Revisions did not require IP to refund net charges for 1997, but did require IP to lower their base rates charged to customers. IP reports that customers saved $94 million in 1999 which represents the difference between the higher actual cost of fuel and the lower cost of fuel embedded in rates charged customers.

- AmerenCIPS and AmerenUE opted to eliminate their fuel adjustment clauses effective April 1, 1998, and May 5, 1998, respectively. Both companies placed a fuel component charge in base rates charged to customers based on an average of prior periods. The companies have stated to the ICC that they are unable to calculate whether customers are better or worse off due to elimination of the clause, however, the companies' Form 10-K reports to the SEC state that the elimination of the clause "…benefited shareholders in 1998 and 1999 and is expected to benefit shareholders in the future."

- The remaining five electric companies have not opted to eliminate their UFAC. During 1999, CILCO's purchased power costs increased 104% over the prior year, and in July 1999 alone, the company incurred $33 million in generation and purchased power costs which, by operation of the UFAC, are billed to customers. The ICC is currently evaluating the prudence of these expenditures in docketed proceedings before the ICC.

Discontinuance of regulatory accounting practices for the generation portion of the electric utility business

The changes created by the 1997 Revisions, combined with market-based pricing (rather than regulated pricing) for generation services, no longer provide assurance that the original cost of generation assets will be recovered. Consequently, ComEd, Illinois Power, CILCO, AmerenCIPS, MidAmerican Energy and AmerenUE (the latter two for their Illinois generation only) adopted changes to their accounting practices which have resulted in a write-off of all or a portion of each utility's generation assets.

Securitization

Public Act 90-561 created Article XVIII (Electric Utility Transitional Funding Law) within the PUA. Article XVIII authorizes utilities to issue securitized debt securities known as transitional funding instruments (TFIs). TFIs bear lower interest rates than traditional debt because of a complex legal structure that reduces the risk of TFIs. Specifically, TFI investors may impose a non-avoidable charge on a utility's customers that is sufficient to meet the interest and principal repayment requirements on the TFI, regardless of whether the utility issuing the TFIs becomes bankrupt. This charge, which is known as the instrument funding charge (IFC), appears on the bills of the utility's customers. The utility is required to provide its customers a credit that exactly offsets the TFI charge, thus preventing the issuance of TFIs from increasing customer bills.

- The only two utilities which sought and received permission from the ICC to issue transitional funding instruments were ComEd and IP.

?? In July 1998, the ICC approved the issuance by ComEd of $6.8 billion in TFIs. In December 1998, ComEd issued one-half of the approved amount, or $3.4 billion, of Transitional Funding Trust Notes at an average interest rate of 5.57%, through trusts established as "Special Purpose Entities." The notes carry various maturity dates from March 2000 through December 2008.

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?? In December 1998, IP issued $864 million of Transitional Funding Trust Notes at an average interest rate of 5.41%, which represents 25% of Illinois Power's total capitalization at December 31, 1996. The notes carry various maturity dates from 2000 through 2008. Illinois Power used these funds to retire debt and equity securities.

Cost mitigation activities

- Companies have taken advantage of the opportunities available during the mandatory transition period to lower operating costs. Action taken during the transition period include:
  - Rate freeze: the 1997 Revisions allows companies to maintain current rates even if the costs which previously supported those rates have been reduced.
  - Mergers: the 1997 Revisions reduced or eliminated ICC regulatory review.
  - Plant sales: the 1997 Revisions reduced ICC regulatory review of the plant sales, power purchase agreements, and proceeds from sales.
  - Securitization: companies are not required to pass on to customers any benefits derived from changes in companies' capital structures and lower capital costs.
- Cost mitigation activities of utilities have included:
  - Mergers (with limited regulatory oversight as a result of the 1997 Revisions) that result in savings;
  - Early retirement programs and layoffs (primarily due to mergers and plant sales);
  - Improvements in nuclear performance have resulted in lower fuel, purchased power, and O&M costs.

The 1997 Revisions also imposed certain requirements upon the electric utilities, including:

Mandatory residential rate reductions

PUA § 16-111(b) required each electric utility, except for the three smallest (those with less than 12,500 Illinois retail customers), to reduce rates charged to residential customers on August 1, 1998, and again on subsequent dates according to the provisions of the 1997 Revisions. From August 1, 1998 through December 31, 1999, it is estimated that residential customers of Illinois electric utilities have saved $692 million as a result of these mandatory rate reductions.

Rate freeze

With certain exceptions, electric utilities' rates will not change during the mandatory transition period (through January 1, 2005). Included among the exceptions which permit utilities to request relief from the mandatory rate freeze include impacts on rates resulting from (1) changing or eliminating the fuel adjustment clause,
(2) establishing delivery service tariffs, (3) changes related to decommissioning, and (4) changes in environmental fees and municipal and other taxes.

Another exception to the rate freeze provision exists in PUA § 16-111(d) which allows utilities to request an increase in rates if their average return on equity as adjusted for items specified in the 1997 Revisions falls below a 2-year average of

U.S. Treasury Bond yields. Such electric utility rate requests are subject to ICC review and approval. No utility has requested an increase in rates.

Subject to the limitations established by the excess earnings cap in PUA § 16-111(e), the rate freeze will also enable utilities to keep the increased earnings they achieve through cost-cutting measures.

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Delivery service tariffs and customer choice

Electric utilities are required to provide delivery services to retail customers in accordance with provisions established in the 1997 Revisions. In 1999, delivery service tariffs and related implementation plans were approved for all nine electric utilities in advance of October 1, 1999, which was the date on which certain larger customers, multi-location customers, and other customers (as chosen by lottery) were eligible to elect delivery service status.

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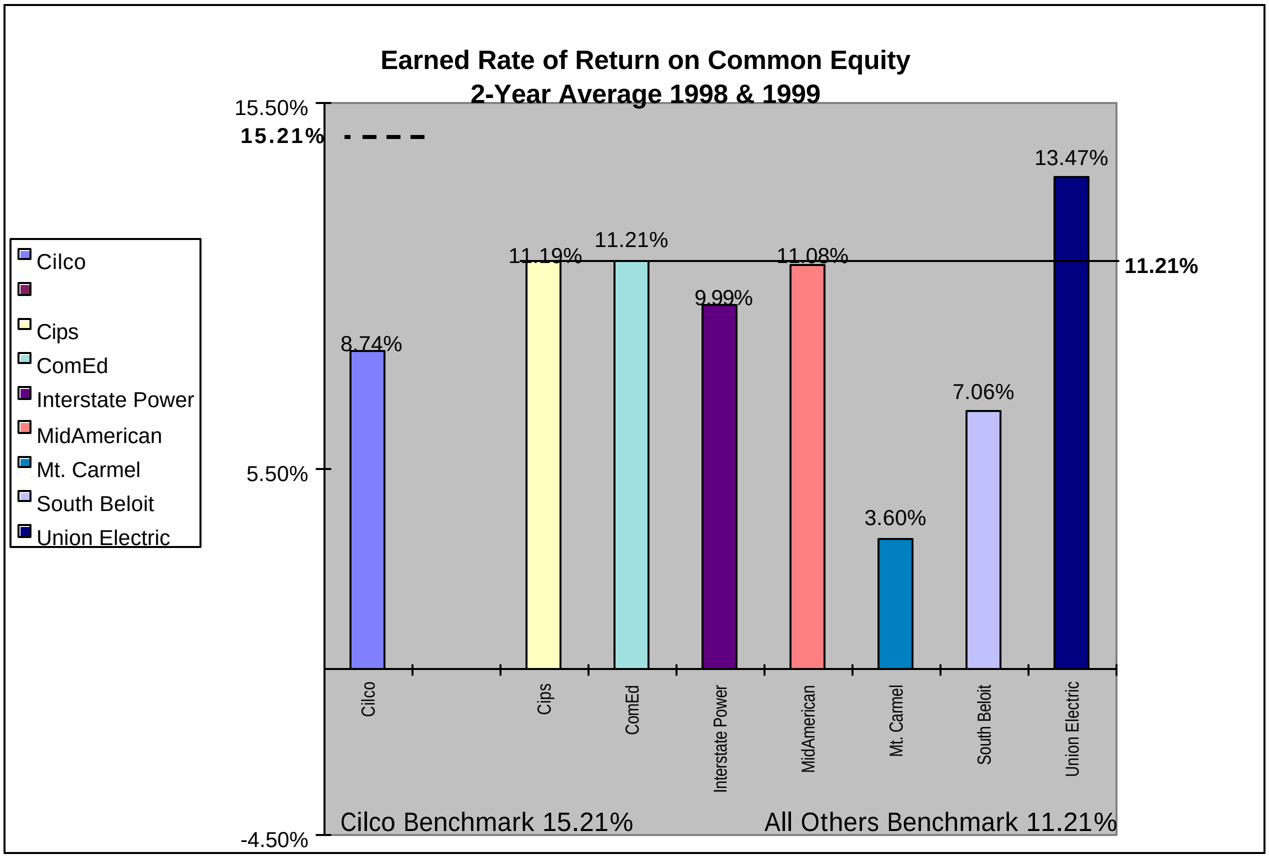
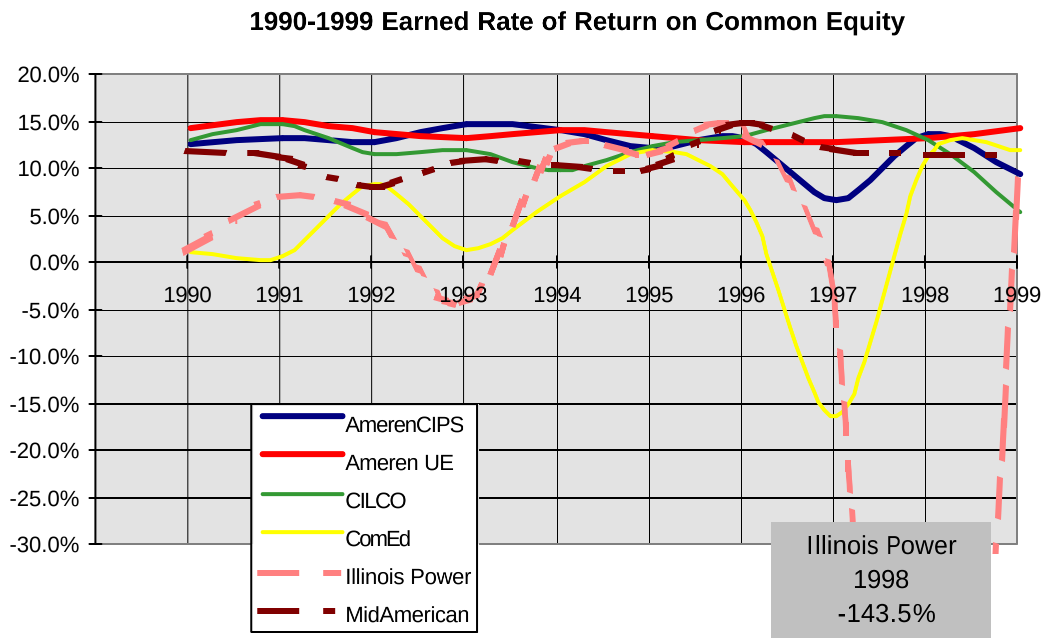
"Excess earnings" reporting

In addition to PUA § 16-130 reporting requirements, the 1997 Revisions require electric utilities to annually provide earnings information to determine if the utility has "excess earnings". PUA § 16-111(e) requires electric utilities to report their two-year average return on common equity on or before March 31 of each year beginning in 2000 and continuing through 2005. The average return is compared to a benchmark based on 30-year U.S. Treasury bonds plus percentage points as specified in the 1997 Revisions. If the average return exceeds the benchmark, the utility is required to make refunds to customers. The ICC is currently reviewing the utilities' excess earnings reports for 1998-1999. AmerenUE is the only utility which reported excess earnings for 1998-1999. The graph below shows the results of the 1998-1999 earnings reports. The ICC is reviewing the reports and verifying the accuracy of the utilities' numbers. Illinois Power, with average earnings of negative 67%, is not shown on the graph. Also see Table 3.



In 1999, Senate Bill 24, among other things, increased the percentage points in the index formula by 2% for the years 2000 through 2004. By raising the benchmark, this revision in the law permits utilities to earn more than originally allowed in the 1997 Revisions before an electric utility would be required to make refunds to customers.

The following graph and table present single-year returns calculated using amounts reported by the utilities to the ICC. Income amounts represents Total Company Net Income less Preferred Dividends. Equity amounts represent Total Company Stockholder's Equity less Preferred Portion.
Sources: 1990-1994, Forms 21 ILCC, 1995-1999, FERC Forms No. 1



1990-1999 Net Income and Common Equity

$ Million		1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
AmerenCIPS	Income	$ 66	$ 70	$ 68	$ 80	$ 78	$ 67	$ 74	$ 35	$ 76	$ 50
	Equity	$ 548	$ 551	$ 553	$ 565	$ 575	$ 570	$ 581	$ 573	$ 574	$ 554
AmerenUE	Income	280	307	289	283	307	301	292	293	311	338
	Equity	2,021	2,106	2,164	2,206	2,269	2,319	2,355	2,387	2,424	2,434
CILCO	Income	36	40	31	34	29	39	42	50	41	16
	Equity	285	279	278	294	308	326	322	333	326	327
ComEd	Income	46	17	444	47	359	650	379	(819)	539	599
	Equity	6,343	5,738	5,708	5,422	5,401	5,706	6,043	4,866	4,961	5,179
Illinois Power	Income	15	105	70	(56)	177	169	223	(49)	(1,572)	94
	Equity	1,416	1,490	1,455	1,343	1,467	1,478	1,576	1,299	1,096	964
MidAmerican	Income	53	50	40	54	126	123	146	120	111	122
	Equity	441	445	496	499	1,202	1,224	987	986	973	1,058

Sources: 1995-1999 FERC Form No. 1; 1990-1994 ILCC Form 21.

Income amounts: Total Company Net Income From Table 6 [p. 39] less Preferred Stock Dividends Paid.

Stranded Costs

Stranded costs will arise if the value of utility generating assets diminishes as a result of a utility's obligation to sell the output of their generating facilities at market prices rather than at regulated prices. The term "stranded costs" is not included in the 1997 Revisions, however, the law does allow the incumbent electric utility to require customers who switch electric suppliers to pay a transition charge designed to compensate the utility for the revenue losses that are linked to stranded costs. It should be noted that customers who continue to take traditional bundled electric service from the incumbent electric utility do not pay transition charges, but effectively contribute to stranded cost recovery through the bundled price. It is clear that customer contributions to stranded cost recovery, both through the transition charge and as a component of bundled rates, constitute a significant impediment to opting for an alternative provider of generating services.

The ICC prepared a report[1] for the General Assembly in 1997 in which the Commission estimated ComEd's and IP's future stranded costs. The report defined stranded costs as the present value of the difference between a utility's total generation costs and the market price of generation. In general, the higher the assumed market generation prices, the lower the estimate of stranded costs (and vice versa).

As future market prices are quite difficult to project, the report estimated stranded costs for two sets of market prices. One set of estimates was developed by the ICC Staff in their August 1997 report to the Illinois Senate President, based on a survey of market participants and other information available to the Staff. The second set of estimates were developed during the 1997 legislative review process by Resource Data International, Inc. (RDI). The ICC estimated that market prices in 1998 would be about three cents per kilowatt hour (kWh) during 1998, rise to about five cents per kWh in 2003, and reach about six cents per kWh in 2008. In contrast, the RDI market value estimates were significantly lower than the ICC estimates, with estimated market prices in 1998 of about two cents per kWh rising to only about four cents per kWh in 2008.

According to the Neutral Fact Finder, statewide market prices reached about three cents per kWh in 1999.[2] However, current market prices are higher than the market prices listed in the 1998 and 1999 Neutral Fact Finder reports. Earlier this year, ComEd submitted information to the Commission that indicated that market prices are higher than four cents per kWh.[3]

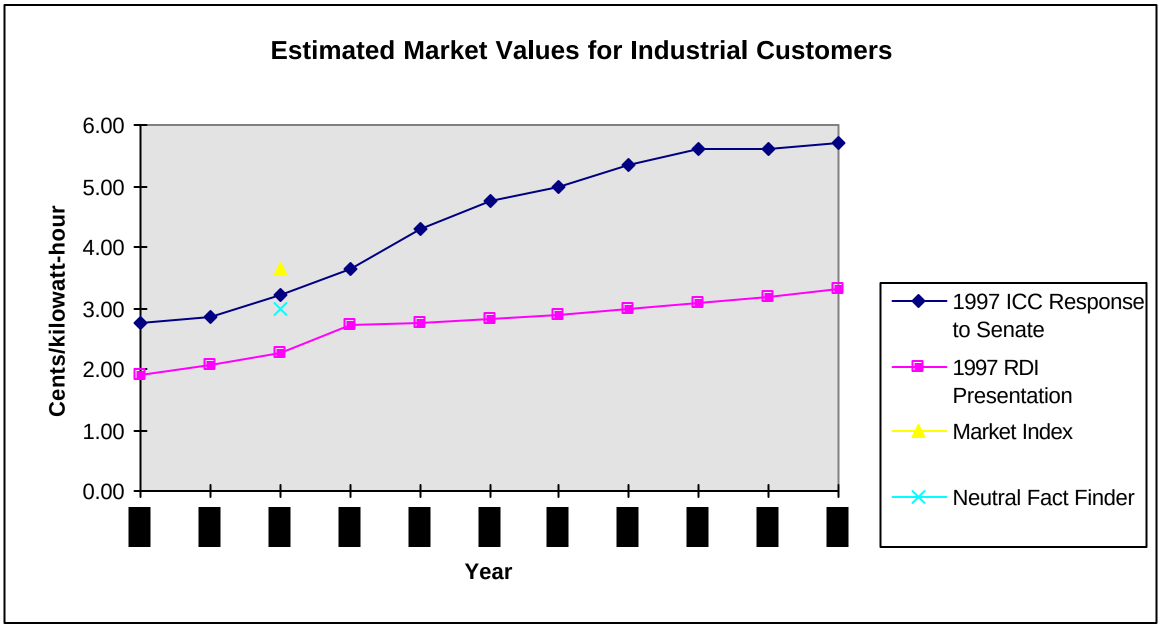
Using data from (a) Staff's <u>Stranded Cost Estimation</u> prepared for the Illinois Senate, (b) the RDI estimates, ComEd's Docket No. 00-0259 ("Market Index" in the charts), and (d) the Neutral Fact Finder's report, the following charts were developed. Three years of experience since

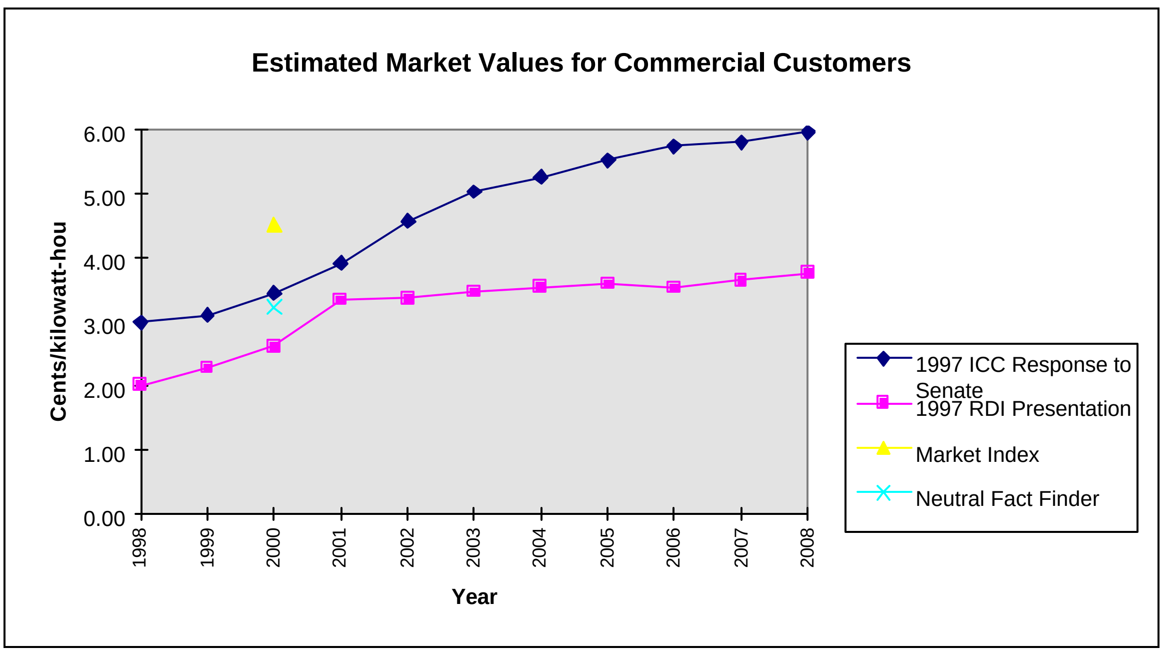
[1] <u>Stranded Cost Estimation</u> Report to the President of the Illinois Senate, August 1997.

[2] "1999 Neutral Fact-Finder's Calculation of Market Values for Electric Power and Energy for the State of Illinois", page 16.

[3] ComEd's Docket No. 00-0259, Exhibit B, Attachments 4 and 5 to Petition.

these estimates were made would suggest that stranded costs are significantly less than originally predicted.





<u>Part 1: Overview of Electric Utilities During the Transition Period</u>

This section of the report identifies and analyzes activities that Illinois electric utilities have engaged in since the effective date of the 1997 Revisions and the impact of these activities upon the electricity market and upon the electric utilities' financial results and condition.

Changes in the Illinois and federal laws in conjunction with technological changes have had, and continue to have, broad impacts upon the fundamental structure and operation of the electric utility industry. The sale or transfer of generating plants and related assets, or production capability, to third parties or affiliates is an example of the type of change which is transforming the traditional view of the utility as vertically integrated, that is, capable of production <u>and</u> delivery of electricity. Offering service to customers <u>outside</u> of the utility's established service territory is another example of change.

Switching activity for those customers eligible to choose an alternative supplier of electric generation on October 1, 1999, has been very low. As of December 31, 1999, only 4,700 customers (or 7.3% of those eligible) representing approximately 368,000 megawatt hours opted for delivery services either by selecting an alternative supplier of electricity or by selecting service from the utility through the Power Purchase Option (PPO). As of June 30, 2000, the number of customers electing delivery services rose to 7,100.

ComEd

ComEd's net income increased in 1998 and again in 1999. The 1999 increase was primarily a result of the company's ability to reduce operating and tax expenditures, which more than offset a nearly 4% revenue reduction from the prior year. Improved results in 1998 reflected higher revenues and lower expenses, as well as the effect of a net loss in 1997.

The significant items or activities related to ComEd's financial results for the years 1997 through 1999 included:

?? **Mandatory residential rate reduction:** The downward effect on revenues of the 15% rate reduction effective August 1998 *more than offset* the impact of improved kWh sales in 1999, and *partially offset* the impact of improved kWh sales in 1998. As a result of this rate reduction, residential customers saved approximately $170 million in 1998 and $390 million in 1999. The change in accounting for certain state and municipal taxes, resulting from the 1997 Revisions, also had a negative impact upon revenue in 1999 and 1998. In light of these results, it is worth noting that, except for further scheduled residential rate reductions, a rate freeze remains in effect pursuant to the 1997 Revisions until at least January 1, 2005.

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?? **Improved performance of nuclear generating units:** The improved performance of the nuclear generating units produced significant reductions in expenditures during 1999. This improved performance (a) reduced the need to rely on alternative (more expensive) sources of generation such as coal, oil and gas, and (b) also reduced the need to purchase power from other parties. The overall nuclear capacity factor for

1999 was 89%, compared to 66% and 49% for 1998 and 1997, respectively. Operations and maintenance expenses (O&M) associated with the nuclear generating stations declined during the year due to shorter refueling periods and a decline in forced outages.

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?? **Sale of fossil generating stations:** The sales of State Line and Kincaid coal stations in December 1997 and February 1998, respectively, lowered operation and maintenance costs and also reduced ComEd's net generation in 1998. The 1999 sale of the remaining fossil generating assets totaled $4.8 billion, and, after taking into account the book value of $1.1 billion and additional costs associated with the sale, produced a pretax gain of $2.8 billion. This gain and the related reduction in depreciation and amortization expense combined to improve earnings for 1999. The 1997 Revisions significantly reduced the regulatory review and oversight and attendant costs for the 1999 plant sales. As a result of this fossil asset sale, and a statutory change (Senate Bill 24 in 1999), ComEd is required to spend at least $2 billion during 1999-2004 on transmission and distribution (T&D) facilities outside of Chicago and to contribute $250 million for environmental and clean coal initiatives. ComEd reports that $545 million was spent in 1999 on T&D facilities outside of Chicago.

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?? **System outages during the 1999 summer:** ComEd experienced a net increase in (O&M) expenses which generally resulted from higher expenditures which were associated with the evaluation, restoration, replacement and maintenance of portions of the company's distribution system (and, to a lesser extent, its transmission system) following the outages during the summer of 1999.

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?? **High temperatures, storms and equipment problems in 1998:** Weather-related problems combined with generating station outages throughout the Midwest in June 1998 resulted in extremely high prices for purchased power. These problems also resulted in higher O&M expenses, reflecting emergency restoration of electric service and higher maintenance costs.

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?? **Improved sales:** KWh sales increased in each of the three years under consideration, primarily reflecting continued economic growth in ComEd's service territory, warmer weather, and increased sales to wholesale customers.

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?? **Excess earnings report:** On March 1, 2000, each electric utility filed a report pursuant to PUA § 16-111(e) providing information on average earnings for 1998 and 1999. The earnings are compared to an allowed benchmark specified in the 1997 Revisions, with any excess amount to be refunded. The benchmark for ComEd this year is 11.21%. ComEd's reported average earnings is also 11.21%. Inasmuch as the 1997 Revisions permit manipulation of earnings by changing depreciation and amortization levels, ComEd duly recorded additional amortization of regulatory assets, and the effect was to reduce earnings to the benchmark and report no excess earnings.

?? **Customer switching and the competitive transition charge (CTC):** On October 1, 1999, more than 41,000 ComEd non-residential customers became eligible to become delivery service customers; that is, to either choose an alternative electric supplier, while ComEd continued to deliver the electricity, or to select the PPO and continue to receive both generation and delivery of electricity from ComEd. In 1999, about 4,700 customers opted to become delivery service customers, representing about 368,000 megawatt-hours and $11 million in lost revenue. The $11 million was only partially offset by approximately $4 million of CTC revenues and by $5.2 million of off-system sales of freed up power and energy. As of June 30, 2000, approximately 62,000 customers were eligible to receive delivery services, of which approximately 6,600 have opted to switch to delivery services.

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?? **Decommissioning:** In accordance with PUA § 8-508.1, ComEd collects decommissioning charges from customers to pay for future decommissioning of nuclear stations. Current studies estimate the total cost to decommission ComEd's nuclear stations is $5.6 billion (in 2000 dollars), requiring collections from customers through 2027. ComEd is collecting approximately $90 million annually and, in a case before the ICC, is requesting to increase that amount to $121 million.

On May 18, 2000, ComEd presented the ICC with an alternative to the established method of decommissioning: the proposal is to limit recovery of decommissioning costs from customers to a fixed amount, $121 million, over a six-year period. That docket, 00-0361, is currently before the ICC.

?? **Employee issues:** The total number of Unicom employees, almost all of which are considered ComEd employees , numbered 14,400 at the end of 1999, down about 1,600 from the end of 1998. The reduction of employees from 1998 is mostly due to the sale of ComEd's fossil fuel plant assets. The rates established in ComEd's last rate case in 1994 are based on an employee level of 18,656 rather than the current level of 14,400.

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?? **Elimination of the UFAC:** As a result of ComEd's elimination of the UFAC, customers received refunds for net charges in 1997 totaling $43 million in 1998. The fuel adjustment clause allowed actual fuel costs to be passed on to customers, subject to a subsequent review for accuracy and prudence. Without a UFAC, ComEd was allowed to recover a fixed level of fuel cost per kWh through rates established in January 1995. Without a UFAC, ComEd benefits if actual fuel costs are lower than the level recovered through rates charged customers, and the opposite is true if actual fuel costs are higher than the level recovered through rates charged customers.

- **Zion nuclear generating station (Zion):** In January 1998, ComEd announced plans to shut down Zion. The retirement of this generation station reduced 1997 earnings by approximately $500 million. According to ComEd's 10-K report filed with the SEC, "In the absence of short-term reliability and capacity constraints, if a generating plant cannot produce power safely at a cost below the competitive market price, it will be disposed of or closed."

- **Discontinuance of Statement of Financial Accounting Standards (SFAS) 71:** SFAS 71 provides guidance on regulatory accounting practices for regulated utilities. The enactment of P.A. 90-561 deregulated the price for electric generation in Illinois. The 1997 Revisions and market-based pricing for generation do not provide utilities with the assurance that the cost of their generation assets will be recovered. Consequently, ComEd discontinued use of SFAS 71 practices for the generation portion of its business. A charge of $810 million to 1997 earnings represented the write-off of the non-recoverable portion of the generation assets.

- **Merger announcement:** A merger of Unicom (ComEd's parent company) and PECO was announced in September 1999, and is expected to be completed during the fall of 2000.

- **Securitization**: Subsequent to the ICC's July 21, 1998 approval, ComEd issued on December 16, 1998, $3.4 billion of Transitional Funding Trust Notes at an average interest rate of 5.57%, through trusts established as "Special Purpose Entities." The notes carry various maturity dates from March 2000 through December 2008.

Illinois Power

Illinois Power's net income in 1999 was $113 million compared to net losses of $1.5 billion and $44 million in 1998 and 1997 respectively. The increase in net income in 1999 is primarily due to lower purchased power costs and benefits associated with bringing the Clinton Power Station on-line in May 1999. The loss in 1998 was primarily due to the impairment of Clinton and higher purchased power costs. The loss in 1997 was primarily due to the discontinued application of SFAS 71 for Illinois Power's generating assets.

The significant components which affected Illinois Power's financial results for the years 1997 through 1999 included:

- **Mandatory residential rate reduction:** The mandatory 15% residential rate reduction offset the impact of higher kWh sales in 1999 and reduced revenues by $74.9 million. Illinois Power is required to reduce residential rates an additional 5% effective May 1, 2002.

?? **Discontinuance of SFAS 71:** The enactment of P.A. 90-561 deregulated the price for electric generation in Illinois. The 1997 Revisions and market-based pricing for generation will not provide assurance that the cost of generation assets will be recovered. As a result, Illinois Power discontinued the application of SFAS 71 for the generating segment of its business. In December 1997, Illinois Power wrote off generating assets of $195 million (net of income taxes).

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?? **The Clinton Nuclear Power Station**: In September 1996, Illinois Power shut down its Clinton Power Station due to a leak in a recirculation pump seal. Clinton was not returned to service until May 27, 1999. In 1998, Illinois Power hired a Pennsylvania utility, PECO Energy Company, to manage the operation of the Clinton station. In December 1998, Illinois Power's Board of Directors decided to exit the nuclear generating business. This decision resulted in an impairment of the value of Clinton and related assets. Prior to the impairment, Clinton's net book value was $2.618 billion. SFAS 121 (Accounting for the Impairment of Long-Lived Assets and for Assets to Be Disposed Of) requires that assets to be disposed must be stated at the lower of their carrying value or their fair market value. Illinois Power estimated the fair market value of Clinton to be zero. Therefore, Illinois Power was required under SFAS 121 to write the carrying value of Clinton down to zero. The write-off of $1.524 billion (net of income taxes) resulted in a deficit in retained earnings of $1.566 billion.

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?? **Quasi-reorganization:** Coincident with recording the impairment loss for Clinton in December 1998, Illinois Power also implemented a quasi-reorganization. A quasi-reorganization is an accounting procedure that eliminates an accumulated deficit in retained earnings and permits a company to proceed on much the same basis as if it had been legally reorganized. A quasi-reorganization involves restating a company's assets and liabilities to their fair values, with the net amount of these adjustments added or deducted from the deficit. Any remaining deficit balance in retained earnings is then eliminated by a transfer from the common stock equity account to give the company a "fresh start". Illinois Power concluded that its fossil generating assets had a fair market value of $2.867 billion compared to a net book value of $632 million. This resulted in a write-up of $2.235 billion which was recognized as a offset to the deficit in retained earnings. After the revaluation of other assets and liabilities to their fair market value and the adoption of accounting pronouncements, the remaining accumulated deficit in retained earnings of $238.7 million was eliminated by a transfer from common stock equity.

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?? **Purchased Power costs:** Purchased power costs were $217.9 million in 1997, $735.2 million in 1998 and $421.1 million in 1999. The $517.3 million increase in purchased power costs in 1998 resulted from the Clinton outage and the unprecedented summer spike in wholesale energy prices. The decrease in 1999 purchased power costs was due in part to the benefits associated with bringing Clinton on-line in May 1999.

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?? **Sale of the Clinton Nuclear Power Station:** In April 1999, Illinois Power entered into an interim agreement with AmerGen Energy Company for the sale of Clinton. On September 1, 1997, British Energy and PECO Energy Company announced the formation of a joint venture, AmerGen Energy Company, LLC (AmerGen). British Energy is located in Edinburgh, Lothian, United Kingdom and PECO Energy Company is located in Philadelphia, Pennsylvania. Each company has a 50% ownership of AmerGen. The purpose of the joint venture is to pursue opportunities to acquire and operate nuclear generating plants in the United States. The sale was executed on December 15, 1999. AmerGen paid Illinois Power $12.4 million for the plant and property and AmerGen assumed responsibility for operating and ultimately decommissioning the plant. Illinois Power agreed to transfer the decommissioning trust funds in the amount of $98.5 million to AmerGen, and to make an additional payment of $113.4 million to the trust funds. Additionally, Illinois Power must make five annual payments of approximately $5 million to the trust funds. The sale of Clinton was contingent on Illinois Power signing an agreement to purchase 75% of the output of the plant over a five-year period at fixed prices that exceed current and projected wholesale prices. As a result, Illinois Power accrued $145 million for the estimated premium that they will pay for the power over the life of the agreement.

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?? **Transfer of Fossil Generating Plants:** On October 1, 1999, Illinois Power transferred its fossil generating plants and related assets to Illinova, Illinois Power's parent company, in exchange for an unsecured note in the amount of $2.8 billion. Illinova subsequently transferred the same assets to Illinova Power Marketing, Inc., a wholly-owned unregulated subsidiary. The note between Illinois Power and Illinova matures in September 2009 and has an annual interest rate of 7.5%. Interest of $51 million accrued on the note for 1999.

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?? **Securitization:** In December 1998, Transitional Funding Trust Notes of $864 million were issued, which represent 25% of Illinois Power's total capitalization at December 31, 1996. This debt is secured by a portion of the company's future revenue stream. Illinois Power used these funds to refund $646.5 million of debt, and to repurchase $15.2 million in preferred stock and $49.3 million in common stock.

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?? **UFAC elimination:** IP eliminated the clause on March 7, 1998 retroactive to January 1, 1997. As a result of eliminating the clause, IP was unable to collect $94 million in 1999 related to higher purchased power and fuel costs.

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?? **Merger:** In June 1999, Illinova and Dynegy announced their agreement to merge. The merger was completed on February 1, 2000.

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- **Employee levels:** IP's employee level of 2,397 on December 31, 1999 was down approximately 35% from the 3,655 employees at year-end 1997 and approximately 40% from the 3,965 employee level at year-end 1998. The reduction in employees is primarily due to the sale of the Clinton Nuclear Power Station and the transfer of its fossil generating plants to an affiliate.

- **Excess earnings report:** On March 1, 2000, each electric utility filed a report pursuant to PUA § 16-111(e) providing information on average earnings for 1998 and 1999. The earnings are compared to an allowed benchmark specified in the 1997 Revisions, with any excess amount to be refunded. Illinois Power reported a negative two-year averaged earned return on common equity of -66.88% for 1998-1999, which was below the benchmark defined in the law. No refunds were required.

- **Customer switching and the CTC:** As of December 31, 1999, only three of IP's approximately 5,500 eligible customers had switched to delivery services. IP has not collected any transition costs. As of June 30, 2000, 62 customers have opted to switch to delivery services.

AmerenCIPS

The company's net income in 1999 was $50 million compared to net income of $76 million in 1998 and $35 million in 1997. The difference in net income in 1999 as compared to 1998 is primarily due to higher fuel and purchased power costs (reflecting higher sales and coal contract termination costs). These categories alone more than offset the 1999 increase in revenues (reflecting higher sales mainly due to a 37% increase in interchange sales with other utilities). Net income in 1998 was favorably impacted by warm summer weather and economic growth and lower fuel costs attributable to joint dispatch efforts resulting from the merger with Union Electric. Net income in 1997 was negatively impacted by reduced electricity sales and a write-off of generation-related regulatory assets and liabilities due to the discontinued application of SFAS 71 for AmerenCIPS' generating assets.

The significant components which impacted AmerenCIPS' financial results for the years 1997 through 1999 included:

- **Mandatory residential rate reduction:** The mandatory 5% residential rate reduction effective August 1, 1998, reduced revenues by $11.8 million and $4.5 million in 1999 and 1998, respectively. The company is also required to reduce residential rates an additional amount on October 1, 2000, and October 1, 2002, if the company's residential rates exceed the Midwest average, but no more than 5% at each date.

- **Discontinuance of SFAS 71:** The enactment of P.A. 90-561 deregulated the price for electric generation in Illinois. The 1997 Revisions and market-based pricing for generation will not provide assurance that the cost of generation assets will be recovered. As a result, AmerenCIPS discontinued the application of SFAS 71 for the generating segment of its business. Consequently, in December 1997, the company wrote off generation-related regulatory assets and liabilities totaling $25 million (net of income taxes).

- **Transfer of generating facilities:** In July 1999, the company filed notice of its intent to transfer all of its generating facilities to an unregulated affiliate. All regulatory approvals have been received including approval by the ICC in October 1999. The transfer took effect in May 2000. The 1997 Revisions significantly reduced the ICC's regulatory review and oversight for the 1999 plant transfers.

- **Customer switching and the CTC:** Only 29 customers opted for delivery service status by selecting AmerenCIPS' PPO service, and these switches were not effective until 2000. The company reports the impact of customer choice on AmerenCIPS financial condition to be immaterial at this time. As of December 31, 1999, none of AmerenCIPS' approximately 10,000 eligible customers had switched suppliers. As a result, AmerenCIPS has not collected any transition charges. As of June 30, 2000, 319 customers have opted to switch to delivery services.

- **UFAC elimination:** AmerenCIPS eliminated its fuel adjustment clause effective April 1, 1998, and placed a fuel component in base rates charged to customers based on an average of prior periods. The company has stated to the ICC that it is unable to calculate whether customers are better or worse off due to elimination of the clause; however, the company's Form 10-K report to the SEC states that the elimination of the clause "…benefited shareholders in 1998 and 1999 and is expected to benefit shareholders in the future."

- **Excess earnings report:** On March 1, 2000, each electric utility filed a report pursuant to PUA § 16-111(e) providing information on average earnings for 1998 and 1999. The earnings are compared to an allowed benchmark specified in the 1997 Revisions, with any excess amount to be refunded. AmerenCIPS reported a two-year averaged earned return on common equity of 11.19% for 1998-1999, which was below the benchmark defined in the law. No refunds were required .

Central Illinois Light Company

Central Illinois Light Company's (CILCO's) net income in 1999 was $16.0 million compared to $41.0 million in 1998 and $50.2 million in 1997. The 61% decrease in CILCO's 1999 earnings was primarily due to costs associated with two early retirement programs. The decline in 1998 earnings was in part due to increased power plant maintenance expense and repairs to the electric distribution system resulting from severe storm damage in June 1998. Retail kWh sales increased 2% and 6% respectively in 1999 and 1998.

The significant items which impacted CILCO's financial results for the years 1997 through 1999 included:

- **Mandatory residential rate reduction:** The mandatory rate reduction decreased CILCO's 1999 revenues by $2.2 million. CILCO is required to reduce residential rates by an additional 2% effective October 1, 2000, and by another 1% on October 1, 2002.

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?? **Voluntary Early Retirement Program:** In April 1999, CILCO offered an early retirement package to employees in the electric power generating area. Of the 117 employees eligible for the early retirement program, 86 employees accepted the offer. In June 1999, the company offered a similar early retirement package to management, office and technical employees who were not included in the April program. A total of 141 of the 156 eligible employees accepted early retirement under this program. These programs resulted in an after tax charge to earnings of approximately $22.7 million.

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?? **UFAC:** As of December 31, 1999, CILCO had not eliminated its UFAC. On July 31, 2000, CILCO filed pursuant to PUA § 9-220(d) to eliminate their UFAC. The ICC will review the filing and must issue an order within 240 days. Purchased power costs increased 104% in 1999. As a result of abnormally warm weather during July 1999, CILCO incurred $33 million of generation and purchased power costs which are subject to recovery from customers through the UFAC. Normally these costs would be recovered through the UFAC in the following month. In this instance, due to the significant impact on customers, CILCO requested approval to recover the increased costs over a twelve-month period from customers not eligible. Customers eligible for choice were billed their share of the increased costs in a single month, but the customers could elect to pay the charge over a twelve-month period. If CILCO had elected to eliminate its UFAC, it would not have been able to recover these increased costs from customers.

?

?? **Discontinuance of SFAS 71:** The enactment of P.A. 90-561 deregulated the price for electric generation in Illinois; as a result CILCO discontinued the application of SFAS 71 for the generating segment of its business. Consequently, in December 1997, CILCO wrote off regulatory assets of $1.5 million and liabilities of $5.6 million.

?

?? **Merger:** In November 1998, CILCORP, the parent of CILCO, announced that the AES Corporation offered to buy 100% of CILCORP's outstanding common stock for $65 a share. AES completed its acquisition of CILCORP on October 18, 1999. All of CILCORP's outstanding common stock is privately held by AES.

?

?? **Excess earnings report:** On March 1, 2000, each electric utility filed a report pursuant to PUA § 16-111(e) providing information on average earnings for 1998 and 1999. The earnings are compared to an allowed benchmark specified in the 1997 Revisions, with any excess amount to be refunded. CILCO reported a two-year averaged earned return on common equity of 8.74% for 1998-1999, which was below the benchmark defined in the law. No refunds were required.

?

?? **Customer switching and the CTC:** As of December 31, 1999, none of CILCO's approximately 3,500 eligible customers had switched suppliers. As a result, CILCO has not collected any transition charges. On March 9, 2000, CILCO filed a revised tariff with the Commission eliminating their transition charge effective March 17,

2000. As of June 30, 2000, approximately 4,500 customers were eligible to receive delivery services, of which none have opted to switch to delivery services.

AmerenUE

AmerenUE is a combination electric and gas utility that predominantly serves retail customers in Missouri. In 1999, the company derived 96% of its total operating revenue from the sale of electric energy. Approximately 6% of UE's electric operating revenues comes from retail electric sales in Illinois. The company's net income in 1999 was $349 million as compared to $320 million and $302 million in 1998 and 1997, respectively, while UE's Illinois electric operation's net income was $22 million in 1999, $24 million in 1998 and $20 million in 1997.

?? **Mandatory residential rate reduction:** The mandatory rate reduction decreased UE's 1999 revenues by $2.1 million. The company will also be required to reduce residential rates an additional amount on October 1, 2000 and October 1, 2002 if the company's residential rates exceed the Midwest average, but no more than 5% at each date.

?

?? **UFAC:** AmerenUE eliminated its UFAC effective May 5, 1998, and placed a fuel component in base rates charged to customers based on an average of prior periods' UFAC rates. The company has stated to the ICC that it is unable to calculate whether customers are better or worse off due to elimination of the clause, however, the company's Form 10-K report to the SEC states that the elimination of the clause "…benefited shareholders in 1998 and 1999 and is expected to benefit shareholders in the future."

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?? **Discontinuance of SFAS 71:** In December 1997, AmerenUE determined that it was necessary to write-off the generation-related regulatory assets and liabilities of its Illinois retail electric business. The write-off, net of income taxes, was $27 million.

?

?? **Merger:** Ameren, a registered public utility holding company, was formed as a result of the merger of Union Electric Company and Central Illinois Public Service Company. The merger was completed on December 31, 1997.

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?? **Excess earnings report:** On March 1, 2000, each electric utility filed a report pursuant to PUA § 16-111(e) providing information on average earnings for 1998 and 1999. The earnings are compared to an allowed benchmark specified in the 1997 Revisions, with any excess amount to be refunded. AmerenUE reported a two-year averaged earned return on common equity of 13.47% for 1998-1999. AmerenUE exceeded the earnings benchmark defined in PUA § 16-111(e) of 11.21% by 2.26%. As a result, AmerenUE must refund excess earnings of approximately $2.3 million to customers.

?

?? **Customer switching and the CTC:** As of December 31, 1999, none of AmerenUE's approximately 1,300 eligible customers had switched suppliers. As a result, AmerenUE has not collected any transition charges. As of June 30, 2000, no customers have opted to switch to delivery services.

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MidAmerican Energy

MidAmerican Energy (MEC) is a combination electric and gas utility that predominantly serves retail customers in Iowa. The company's net income in 1999 was $127 million as compared to $116 million and $126 million in 1998 and 1997, respectively. MEC's net income from Illinois electric operations was $21 million in 1999 as compared to $20 million and $23 million, respectively, in 1998 and 1997.

?? **Mandatory residential rate reduction:** The 1997 Revisions required MEC to reduce residential rates by 15%. However, MEC was allowed to offset the mandated rate reduction to reflect the $13.1 million and $2.4 million rate reductions ordered by the Commission in October and December 1996, respectively. As a result, MEC reduced residential rates by approximately 1.7% effective August 1, 1997. The mandatory rate reduction decreased 1999 revenues by $.9 million. The law does not require MEC to further reduce residential rates.

?

?? **Mergers:** On March 12, 1999, MEC's parent, MidAmerican Energy Holdings, was acquired by CalEnergy Company. Upon completion of this transaction, CalEnergy was renamed MidAmerican Energy Holdings. In October 1999, a group of private investors including Berkshire Hathaway, Walter Scott Jr., and David Sokol, agreed to acquire MidAmerican Energy Holdings. The transaction was completed on March 14, 2000.

?

?? **Discontinuance of SFAS 71:** In December 1997, the company determined that it was necessary to write-off the generation-related regulatory assets and liabilities of its Illinois retail electric business.

?

?? **UFAC:** MEC has not elected to eliminate its Uniform Fuel Adjustment Clause.

?

?? **Excess earnings report:** On March 1, 2000, each electric utility filed a report pursuant to PUA § 16-111(e) providing information on average earnings for 1998 and 1999. The earnings are compared to an allowed benchmark specified in the 1997 Revisions, with any excess amount to be refunded. MEC reported a two-year averaged earned return on common equity of 11.08% for 1998-1999, which was below the benchmark defined in the 1997 Revisions. No refunds were required.

?

?? **Customer switching and the competitive transition charge (CTC):** As of December 31, 1999, only 22 of MEC's approximately 1,900 eligible customers had switched suppliers. MEC has elected not to impose transition charges. As of June 30, 2000, 134 customers opted to switch to delivery services.

Interstate Power Company

Interstate Power (Interstate), a subsidiary of Alliant Energy, is a combination electric and gas utility company that serves retail customers in Iowa, Minnesota and Illinois. In 1999, Interstate realized 6% of its electric revenues from Illinois. Interstate's net income from Illinois electric operations was $2.6 million in 1999 as compared to $1.5 million and $4.7 million, respectively, in 1998 and 1997.

?? **Mandatory residential rate reduction:** The 1997 Revisions exempted Interstate from the mandatory rate reductions because Interstate serves fewer than 12,500 Illinois retail electric customers.

?

?? **Mergers:** Alliant Energy, a registered public utility holding company, was formed as a result of the merger involving Interstate, Wisconsin Power and Light (WPL), the parent of South Beloit Water Gas and Electric, and IES Industries (IES). The merger was completed in April 1998. Interstate, WPL and IES are first tier subsidiaries of Alliant Energy.

?

?? **UFAC:** Interstate has not elected to eliminate its Uniform Fuel Adjustment Clause.

?

?? **SFAS 71:** Interstate has not discontinued the application of SFAS 71.

?

?? **Excess earnings report:** On March 1, 2000, each electric utility filed a report pursuant to PUA § 16-111(e) providing information on average earnings for 1998 and 1999. The earnings are compared to an allowed benchmark specified in the 1997 Revisions, with any excess amount to be refunded. Interstate reported a two-year averaged earned return on common equity of 9.99% for 1998-1999, which was below the benchmark defined in the 1997 Revisions. No refunds were required.

?

?? **Customer switching and (CTC):** As of December 31, 1999, none of IPC's approximately 150 eligible customers had switched suppliers. IPC has elected not to impose transition charges. As of June 30, 2000, no customers have opted to switch to delivery services.

Mt. Carmel

Mt. Carmel's net income in 1999 was $0.8 million compared to $0.7 million in 1998 and $0.5 million in 1997. The increase in net income in 1998 is primarily due to electric and gas rate increases that were effective in April 1998.

?? **Mandatory residential rate reduction:** The 1997 Revisions exempt Mt. Carmel from the mandatory rate reductions because it serves fewer than 12,500 Illinois retail electric customers.

?

?? **UFAC:** Mt. Carmel has not elected to eliminate its Uniform Fuel Adjustment Clause.

?

?? **SFAS 71:** Mt. Carmel does not own any generating assets and has not discontinued the application of SFAS 71.

?

?? **Excess earnings report:** On March 1, 2000, each electric utility filed a report pursuant to PUA § 16-111(e) providing information on average earnings for 1998 and 1999. The earnings are compared to an allowed benchmark specified in the 1997 Revisions, with any excess amount to be refunded. Mt. Carmel reported a two-year averaged earned return on common equity of 3.64% for 1998-1999, which was below the benchmark defined in the 1997 Revisions. No refunds were required.

?

?? **Customer switching and the CTC:** As of December 31, 1999, none of Mt. Carmel's eligible customers had switched suppliers. Mt. Carmel has elected not to impose transition charges. As of June 30, 2000, approximately 300 customers were eligible to receive delivery services and none opted to switch to delivery services.

South Beloit Water Gas and Electric

South Beloit Water Gas and Electric (South Beloit) is a wholly owned subsidiary of Wisconsin Power & Light. South Beloit is a combination electric, gas and water company. The company's net income in 1999 was $2.0 million as compared to $2.5 million and $1.7 million in 1998 and 1997, respectively.

?? **Mandatory residential rate reduction:** The 1997 Revisions exempted South Beloit from the mandatory rate reductions because South Beloit serves fewer than 12,500 Illinois retail electric customers.

?

?? **Merger:** Alliant Energy, a registered public utility holding company, was formed as a result of the merger involving Interstate Power, Wisconsin Power and Light, and IES Industries that was completed in April 1998. South Beloit is a second tier subsidiary of Alliant Energy.

?

?? **UFAC:** South Beloit has not elected to eliminate its Uniform Fuel Adjustment Clause.

?

?? **SFAS 71:** South Beloit does not own any generating assets, and has not discontinued the application of SFAS 71.

?

?? **Excess earnings report:** On March 1, 2000, each electric utility filed a report pursuant to PUA § 16-111(e) providing information on average earnings for 1998 and 1999. The earnings are compared to an allowed benchmark specified in the 1997 Revisions, with any excess amount to be refunded. South Beloit reported a two-year averaged earned return on common equity of 7.06% for 1998-1999, which was below the benchmark defined in the 1997 Revisions. No refunds were required.

?

?? **Customer switching and the competitive transition charge (CTC):** As of December 31, 1999, none of the company's approximately 90 eligible customers had switched suppliers. South Beloit has elected not to impose transition charges. As of June 30, 2000, no customers have opted to switch to delivery services.

Part 2: Summary of Utilities' Responses to PUA § 16-130 Requirements

I. Number of Customers Switching Suppliers and Transition Charge Recovery

PUA § 16-130(a)(1) requires utilities to provide information concerning the extent to which eligible[4] retail customers switch suppliers and the amount of transition charges paid to the incumbent utilities by those customers. Since the Illinois electricity market opened to competition on October 1, 1999, the period for which information is sought in PUA § 16-130(a)(1) is October 1 to December 31, 1999. See Table 1. PUA § 16-130(a)(1) states:

> **§ 16-130(a)(1): Data on each customer class of the electric utility in which delivery services have been elected including:**
>
> **(A) number of retail customers in each class that have elected delivery service;**
>
> **(B) kilowatt hours consumed by the customers described in subparagraph (A);**
>
> **(C) revenue loss experienced by the utility as a result of customers electing delivery services or market-based prices as compared to continued service under otherwise applicable tariffed rates;**
>
> **(D) total amount of funds collected from each customer class pursuant to the transition charges authorized in Section 16-108;**
>
> **(E) Such other information as the Commission may by rule require.**

Table 1: Customer Switching and Transition Charge Data

Utility	Number of Customers Switching Suppliers	Amount of Usage Switched to New Suppliers (kWh million)	Revenue Lost Resulting from Customers Switching Suppliers ($ million)	Transition Charge Revenue Collected ($ million)
AmerenCIPS	0	0.00	0.0	0.0
AmerenUE	0	0.00	0.0	0.0
CILCO	0	0.00	0.0	0.0
ComEd	4,717	368.10	11.1	3.6
Illinois Power	3	0.02	0.0	0.0
Interstate Power	0	0.00	0.0	0.0
MidAmerican	22	6.00	0.0	0.0
Mt. Carmel	0	0.00	0.0	0.0
S. Beloit	0	0.00	0.0	0.0

[4] Eligible customers during the period October 1 through December 31, 1999 are defined in PUA §16-104 and include certain large nonresidential customers, large multi-location customers, and other nonresidential customers selected by lottery. As of June 30, 2000, the numbers of customers switching suppliers are: 6,621 for ComEd; 62 for IP; 134 for MidAmerican; and 319 for AmerenCIPS.

Total	4,742	374.12	11.1	3.6

II. Utility Cost Mitigation Activities

PUA § 16-130(a)(2) requires utilities to provide information concerning their efforts to mitigate and reduce costs:

> **§ 16-130(a)(2): A description of any steps taken by the electric utility to mitigate and reduce its costs, including both a detailed description of steps taken during the preceding calendar year and a summary of steps taken since the effective date of this amendatory Act of 1997, and including, to the extent practicable, quantification of the costs mitigated or reduced by specific actions taken by the electric utility.**

The utilities furnished the ICC with the following information concerning each utility's major cost mitigation activities:

AmerenCIPS/AmerenUE

- In 1997, Central Illinois Public Service Company merged with Union Electric Company and formed Ameren Corporation. The merger resulted in 1999 savings of approximately $57 million which was primarily derived from the joint dispatching of both companies' generation.
- Savings of $19 million resulted from Ameren's hiring freeze and targeted separation plan.

Central Illinois Light Company

- CILCO offered two early retirement programs in 1999. A total of 227 employees, or 83% of the 273 employees eligible for the programs, took early retirement. The cost of the program in 1999 was $22.7 million (net of income taxes). The total number of employees declined 20% from 1,274 TO 1,103 during 1999.

ComEd

- Improved nuclear generating performance and a lower average cost of nuclear fuel combined to produce a $257 million, or 14%, reduction in total energy costs in 1999 compared to 1998.
- The sale of fossil generating plants reduced plant-in-service, O&M expenses, taxes, fuel expenditures, and depreciation charges. The O&M reductions include workforce reductions of 1,614 employees, or approximately 10%, during 1999. These savings will be offset to some extent by costs associated with the power purchase agreements entered into with the purchaser of the plants.
- Taking advantage of the securitization provisions of PUA Article XVIII, the company realizes savings from refinancing debt and equity redemptions with lower cost asset-backed securities. ComEd estimates annual interest savings of $50 million due to actions taken through February 2000.

- Ongoing monitoring and cost containment efforts have helped to mitigate additional costs incurred during the year related to various activities including: preparations for choice, increases in T&D operations and maintenance, and Y2K readiness.

Illinois Power

- Activities involved with the Invested Capital Tax law, including identifying and correcting problems and negotiating the company's liability, produced tax savings of about $5 million annually and a one-time savings of $3.6 million.
- Property tax savings totaled about $4.3 million due to a settlement with the taxing districts impacted by the lowered value of the Clinton Power Station and a successful complaint on one of the company's office buildings.
- Taking advantage of the securitization provisions of PUA Article XVIII, the company realized savings from refinancing debt and equity redemptions with lower cost asset-backed securities. Annual interest and dividend savings totaled approximately $8.5 million.
- Illinois Power negotiated a new forestry contract, which resulted in annual savings of about $0.6 million. The savings were reinvested into forestry efforts.
- The company initiated a program to reduce reliance on outside electric construction contractors, building the construction department to 50 full-time employees. Savings over contractor-provided services have averaged about 22%.
- Service areas were consolidated making possible the sale of various facilities and reducing annual property taxes by $60,000 in 1999 and by $21,000 in 1998.

Interstate Power/South Beloit

- Interstate Power and South Beloit both note in their reports that the formation of Alliant Energy in April 1998 is anticipated to result in cost savings resulting from operating efficiencies. However, neither company provided the ICC with an estimate of the expected savings or quantified the actual cost savings, if any, achieved in 1999. See Section III on page 33, for a discussion of the Alliant merger.

MidAmerican Energy Company

- Fuel procurement activities resulted in lower fuel costs.
- Construction of a rail spur at the Council Bluffs Energy Center created competition between railroads resulting in lower fuel delivery charges.
- MEC cites several projects that were undertaken to improve the reliability and lower the costs of generation at MEC's generating facilities.
- Changes in the delivery function were intended to improve customer service and increase efficiencies. MEC states that lower costs have resulted with improved customer coordination and satisfaction.

Mt. Carmel

- During 1999 and the previous two years, Mt. Carmel has utilized a hiring freeze to reduce operating expenses.
- Mt. Carmel reported that it undertook a refinancing of its single outstanding debt instrument in an effort to reduce interest expense.

III. Depreciation Rate Changes, Mergers, UFAC Elimination and Rate Reductions

PUA § 16-130(a)(3) seeks information about actions that electric utilities have taken pursuant to various sections of the PUA that were amended during the 1997 legislative process.

§ 16-130(a)(3): A description of actions taken under Sections 5-104, 7-204, 9-220, and 16-111 of this Act. This information shall include but not be limited to:

(A) a description of the actions taken;
(B) the effective date of the action;
(C) the annual savings or additional charges realized by customers from actions taken, by customer class and total for each year;
(D) the accumulated impact on customers by customer class and total; and
(E) a summary of the method used to quantify the impact on customers.

A brief description of these PUA sections:

?? § 5-104 addresses depreciation.
?? § 7-204 describes the regulatory approvals needed for certain utility reorganizations and mergers.
?? § 9-220 provides various options for utilities that seek to eliminate the UFAC.
?? § 16-111, addresses electric rates during the "mandatory transition period" (1997-2004). This section mandates the residential rate reductions, permits electric utilities to implement a merger, except for a merger with another jurisdictional utility, without obtaining any approval from the Commission, and describes, among many other things, the Commission approvals needed for sales of generation, transmission, or distribution assets that exceed certain maximum allowable caps.

?

Actions taken by the utilities included:

?? **PUA § 5-104: Depreciation Accounts**

No utility reported changes to depreciation rates.

?? **PUA § 7-204: Reorganizations**

CILCO: On November 23, 1998, CILCORP, the parent company of CILCO, and AES Corporation announced an agreement under which AES would purchase 100% of the outstanding shares of CILCORP's common stock for $65 per share subject to obtaining all the necessary stockholder and regulatory approvals. On December 14, 1998, CILCO filed a petition pursuant to the requirements of PUA § 7-204 seeking ICC approval of the gas portion of the proposed mergers. The ICC approved the gas portion of the merger on March 10, 1999. AES's corporate headquarters is located in Arlington, Virginia.

MidAmerican Energy: On August 11, 1998, MidAmerican Energy Holdings, the parent company of MidAmerican Energy, entered into an agreement with CalEnergy to merge the two companies. Under the agreement CalEnergy would purchase all of the outstanding common stock of MidAmerican Holdings for $2.6 billion. On November 23, 1998, MidAmerican Energy filed a petition pursuant to PUA § 7-204 seeking ICC approval of the gas portion of the proposed merger. The ICC approved the gas portion of the merger on January 13, 1999. Upon completion of the merger on March 12, 1999, CalEnergy was renamed MidAmerican Energy Holdings and is headquartered in Des Moines, Iowa.

On October 24, 1999, MidAmerican Energy Holdings entered into a definitive agreement whereby an investor group comprised of Berkshire Hathaway, Walter Scott Jr., and David Sokol would acquire all of the outstanding common stock of MidAmerican Energy Holdings for $35.05 per share. On November 15, 1999, MidAmerican Energy filed a petition pursuant to PUA § 7-204 seeking ICC approval of the gas portion of the proposed merger. The ICC approved the merger on January 12, 2000. The transaction was completed on March 14, 2000.

Illinois Power: On June 14, 1999, Illinova, the parent company of Illinois Power, and Texas-based Dynegy, Inc. announced the execution of an agreement to merge. On August 13, 1999 Illinois Power filed a petition with the ICC under PUA § 7-204 seeking approval of the gas portion of the proposed merger. The ICC approved the merger on November 23, 1999. The companies completed the merger on February 1, 2000. The new company, Dynegy, is incorporated in Illinois and headquartered in Texas. Illinois Power is a subsidiary of the new company and continues to be headquartered in Decatur.

Alliant Energy: Interstate Energy Corporation, subsequently renamed Alliant Energy, a newly registered holding company, was formed on April 21, 1998 as the result of a merger between Wisconsin Power and Light Holdings, Inc., IES Industries Inc. and Interstate Power Company. The Commission approved the merger in May 1997. Wisconsin Power and Light Company, Interstate Power Company, and IES are all wholly owned subsidiaries of Alliant Energy. South Beloit Water Gas and Electric remained a wholly-owned subsidiary of Wisconsin Power and Light Company.

?? **PUA § 9-220: Rate Changes Based on Changes in Fuel Costs**

ComEd, Illinois Power and the Ameren companies have used the provisions of PUA § 9-220 to eliminate the use of the UFAC.

Ameren: AmerenCIPS and AmerenUE eliminated their UFACs effective April 1, 1998 and May 5, 1998, respectively, pursuant to PUA § 9-220(b) of the PUA. The average fuel cost for the prior two years was placed into base rates for both companies. The companies have responded to ICC staff inquiries that they are unable to calculate whether customers are better or worse off due to elimination of the clause, however, the companies' Form 10-K reports to the SEC state that the elimination of the clause "…benefited shareholders in 1998 and 1999 and is expected to benefit shareholders in the future."

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ComEd: On December 16, 1997, ComEd eliminated its UFAC retroactive to January 1, 1997, pursuant to PUA § 9-220(e). The elimination of its UFAC required the company to refund $43 million to its customers in 1998.

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Illinois Power: Illinois Power eliminated its UFAC pursuant to PUA § 9-220(f) in 1998 retroactive to January 1, 1997. PUA § 9-220(f) specifies that the fuel component of base rates be adjusted to recover 91% of the average fuel costs for the most recent 2 years during which the Commission has entered final orders in annual reconciliation proceedings under PUA § 9-220(a). With no UFAC, IP was unable to collect $94 million in higher than anticipated purchased power and fuel costs from its customers.

?? **PUA § 16-111: Rates and restructuring transactions during mandatory transition period.**

?? **PUA § 16-111(b):** On August 1, 1998, the six largest electric utilities in Illinois reduced their residential base rates as required by the language of PUA § 16-111(b). ComEd and IP reduced rates by 15%, AmerenCIPS and AmerenUE reduced rates by 5%, CILCO reduced rates by 2%, and MEC reduced rates by 1.7%. Companies with fewer than 12,500 Illinois customers were not required to reduce residential rates (Interstate Power, South Beloit, Mt. Carmel). See Table 2, below

Table 2: 1991 Savings from Residential Rate Reductions

Utility	Base Rate Reduction (%)	1999 Residential Customer Savings from Rate Reductions ($ millions)
AmerenCIPS	5.0	$11.8
AmerenUE	5.0	2.1
CILCO	2.0	2.2
ComEd	15.0	390.0
Illinois Power	15.0	74.9
MidAmerican	1.7	0.9
Total		$481.9

?? **PUA § 16-111(e):** Pursuant to this section of the law, on or before March 31st of each year 2000 through 2005, every electric utility must file a report with the ICC showing the utility's earned rate of return on common equity for the preceding calendar year and the average for the preceding 2 calendar years. The 2-year average is compared to a benchmark calculated in accordance with this subsection, and any excess earnings are refunded to customers beginning the following year. The benchmark is not the same for all companies in all years for which reports are required. PUA §16-111(e) provides instructions for calculating the benchmark. All electric utilities have filed their year 2000 reports with the ICC showing 1998 and 1999 information.

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The 1998-1999 excess earnings benchmark for all the electric utilities except CILCO is 11.21%. The benchmark index for CILCO is 15.21%. Table 3 shows the results of the companies' reports. The ICC is reviewing the reports and verifying the accuracy of the utilities' numbers.

Table 3: Earned Rate of Return on Common Equity Report

	Reported ROE*			
Company Name	**1998**	**1999**	**2-yr. Average 1998 & 1999**	**Benchmark****
AmerenCIPS	13.26%	9.11%	11.19%	11.21%
AmerenUE	12.94%	14.00%	13.47%	11.21%
CILCO	12.57%	4.91%	8.74%	15.21%
ComEd	10.86%	11.56%	11.21%	11.21%
Illinois Power	-143.50%	9.73%	-66.88%	11.21%
Interstate Power	7.33%	12.65%	9.99%	11.21%
MidAmerican	11.47%	10.70%	11.08%	11.21%
Mt. Carmel	0.83%	6.45%	3.64%	11.21%
South Beloit	8.14%	5.98%	7.06%	11.21%

*ROE is net income applicable to common stock divided by common equity.

**Three components are added to comprise the benchmark:

a) the applicable 2-year average T-bond yield (5.71%)
b) 4% for all utilities, except CILCO, which adds 8%
c) 1.5% adder

?? **PUA § 16-111(f):** This section permits electric utilities to file revised tariffs reducing the price of any tariffed service offered to customers. The reduction is effective seven days after filing. No Illinois utilities have reduced the price of any tariffed service pursuant to PUA § 16-111(f).

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?? **PUA § 16-111(g):** This section identifies transactions or activities for electric utilities that, with some exceptions, do not require ICC approval. In general, the transactions or activities contained within this section fall into four categories: 1) reorganization / merger activities; 2) retire generating plants; 3) sell, assign, lease or otherwise transfer assets, including related transactions; and 4) use an accelerated cost recovery method. The following activities occurred in 1999:

AmerenCIPS:
In July 1999, AmerenCIPS filed a notice to transfer its generating plants to an unregulated affiliate, GENCO. AmerenCIPS also entered into a power purchase agreement with GENCO to buy back the output of the plants. The transfer was completed in May, 2000.

ComEd:

?? In November 1999, ComEd filed a notice of merger regarding the proposed merger between ComEd's parent company, Unicom, and a new holding company affiliate of PECO Energy Company. The new company will be named Exelon. ComEd expects to complete the merger in the fall of 2000.
?? In December 1999, ComEd completed the sale of its fossil generating stations to Edison Mission Energy for $4.8 billion. ComEd contributed $225 million of the proceeds to a trust designed to fund environmental initiatives, and has made an additional $25 million available to the Board of Trustees of Southern Illinois University for clean coal research.
?? The sales of the Northern Division Headquarters and property in Grundy and Kankakee Counties were completed for a total sale price of $26.6 million.
?? Receivables totaling $10.8 million related to energy conservation services performed for the Great Lakes Naval Training Center were assigned to a third party on June 23, 1999 in return for a cash payment of $7.9 million.
?? ComEd increased the amortization of its regulatory assets as a result of the gain from the sale of their fossil plants.

IP:

?? Transferred all its non-nuclear generating facilities to WESCO, an unregulated affiliate, and entered into a power purchase agreement with WESCO to buy back the generation produced by the plants.
?? In December 1999, IP completed its sale of the Clinton Power Station (nuclear generation) to AmerGen. AmerGen now holds the operating license for Clinton and has full responsibility and authority over the operation of the nuclear generating station, including its decommissioning. IP also entered into a power purchase agreement with AmerGen to buy back 75% of the output of the plant.
?? In November 1999, IP filed notice of merger, specifically notice of the merger between IP's parent company, Illinova, and Dynegy. The merger was completed in February 2000.

MidAmerican Energy:

?? In November 1999, MidAmerican Energy (MEC) filed notice of a merger, specifically the acquisition of MEC's parent company, MidAmerican

Energy Holdings by a group of private investors including Berkshire Hathaway, Walter Scott Jr., and David Sokol. The parties completed the merger in March 2000.

?? In November 1999, MEC filed a notice with the ICC of its intent to sell its East Moline Service Center.

?? MEC filed notice to use accelerated cost recovery methods for its investments in the Cooper Nuclear Station and the Quad Cities Nuclear Station.

IV. Use of Transitional Funding Instruments (Securitization)

PUA § 16-130(a)(4) requires utilities to provide information about the use of transitional funding instruments (TFIs). TFIs are special debt securities that, due to a complex legal framework designed to reduce their risk, carry relatively low interest rates. Specifically, the Customer Choice Law permits TFI investors to directly charge electric utility customers a rate sufficient to meet the debt servicing obligations on the TFIs. This charge, known as the instrument funding charge (IFC), is non-bypassable. However, the utility is required to provide its customers with an equal, offsetting credit to their bills so that customers see no increase in their bills due to the IFC.

> **§ 16-130(a)(4): A summary of the electric utility's use of transitional funding instruments, including a description of the electric utility's use of the proceeds of any transitional funding instruments it has issued in accordance with Article XVIII of this Act.**

Only ComEd and IP have sought and received permission from the ICC to issue transitional funding instruments. The Commission Order in Docket No. 98-0319 authorized ComEd to issue up to $3.4 billion of TFIs. The Commission Order in Docket No. 98-0488 authorized IP to issue up to $864 million of TFIs.

In the recently concluded delivery service tariff proceedings before the Commission, ComEd's and IP's overall rates of return were determined with TFIs included in their capital structures. Consistent with the ICC's Interim Order in Docket No. 98-0454, the TFI balance reflected in each utility's capital structure were adjusted for changes that were determinable and reasonably certain to occur subsequent to the selected test year but prior to January 1, 2001. Accordingly, in Docket No. 99-0117, ComEd's approved capital structure included $2.7 billion of TFIs and resulted in an allowed overall cost of capital of 8.84%. Without the TFIs, ComEd's overall cost of capital would have been higher. In Docket Nos. 99-0120 and 99-0134, IP's approved capital structure included $818.4 million of TFIs and resulted in an allowed overall cost of capital of 8.93%. Without the TFIs, IP's overall cost of capital would have been higher.

<u>ComEd:</u> In July 1998, the ICC approved the issuance by ComEd of $6.8 billion in TFIs. In December 1998, ComEd issued one-half of the approved amount, or $3.4 billion, of Transitional Funding Trust Notes at an average interest rate of 5.57%, through trusts established as "Special Purpose Entities." The notes carry various maturity dates from March 2000 through December 2008.

Illinois Power: In December 1998, IP issued $864 million of Transitional Funding Trust Notes at an average interest rate of 5.41%, which represents 25% of IP's total capitalization at December 31, 1996. The notes carry various maturity dates from 2000 through 2008. IP used these funds to retire debt and equity securities.

Table 4, below, shows how ComEd and IP have used the proceeds from the issuance of TFIs.

Table 4: Use of Proceeds From Transitional Funding Instruments (ComEd)

Expenditure Category	ComEd		IP	
	Principal ($ Million)	Premium ($ Million)	Principal ($ Million)	Premium ($ Million)
Short Term Debt	$ 500.0	$ 0.0	$ 0.0	$ 0.0
Long Term Debt	1,101.4	35.8	646.5	44.4
Preference Stock	606.8	12.4	15.2	(1.6)
Common Stock	1,063.3		49.1	.2
Equity Investment in ComEd Funding, LLC	17.0			
Other expenses and fees	22.8		10.8	
Total	$3,311.3	$48.2	$721.6	$43.0

V. Revenue and Consumption Statistics

PUA § 16-130(a)(5) requires utilities to provide revenue and kWh sales information which isolates the annual impact of the mandatory residential rate reductions and mitigation factors on a "base year" level of revenue while assuming everything else remains constant. The base year is calendar year 1996, and revenue is calculated as 1996 kWh used during the year by customer class multiplied by the customer class's 1996 revenue per kWh, and is exclusive of add-on taxes.

Information presented pursuant to PUA § 16-130(a)(5) and PUA § 16-130(a)(6), is shown in Table 5.

> **§ 16-130(a)(5): Kilowatt-hours consumed in the twelve months ending December 31, 1996 (which kilowatt-hours are hereby referred to as "base year sales") by customer class multiplied by the revenue per kilowatt hour, adjusted to remove charges added to customers bills pursuant to Sections 9-221 and 9-222 of this Act, during the twelve months ending December 31, 1996,**

adjusted for the reductions required by subsection (b) of Section 16-111 and the mitigation factors contained in Section 16-102. This amount shall be stated for: (i) each calendar year preceding the year in which a report is required to be submitted pursuant to subsection (b); and (ii) as a cumulative total of all calendar years beginning with 1998 and ending with the calendar year preceding the year in which a report is required to be submitted pursuant to subsection (b).

VI. Adjusted Revenue and Consumption Statistics

PUA § 16-130(a)(6) modifies the information provided pursuant to PUA § 16-130(a)(5) by using base year (1996) revenue per kWh multiplied by actual kWh sales in each year for which the information is required. The impact of the mandatory rate reductions and mitigation factors is subtracted in each year, as was done in PUA § 16-130(a)(5).

§ 16-130(a)(6): Calculations identical to those required by subparagraph (5) except that base year sales shall be adjusted for growth in the electric utility's service territory, in addition to the other adjustments specified by the first sentence of sub-paragraph (5).

The Commission has construed PUA § 16-130 (a)(5)-(a)(6) as requiring certain information for the 1998 and subsequent years to allow a comparison of two scenarios. The first scenario is based on the assumption that the usage of electricity is constant, at 1996 levels, for each class of customers throughout the period during which PUA § 16-130 requires reports. The second scenario is based on actual usage of electricity (1) that the utility delivers, either as part of a bundled sale, as a PUA § 16-110 purchase, or as a delivery of third-party furnished electricity, or (2) that the electric utility does not deliver but as to which it is entitled to collect transition charges. The Commission's understanding is that PUA § 16-130(a)(5) and (a)(6) are intended to allow for a comparison of (1) the electric utility revenue diminution resulting from the residential rate reductions and mitigation factors, calculated through time as it would have been viewed as of the enactment of Article XVI, based upon static usage at 1996 levels (PUA § 16-130(a)(5)), with (2) the revenue effects calculated on the basis of all assumptions held constant except usage, with usage adjusted to show actual kilowatt-hours delivered (or otherwise forming the basis for transition charge collections) during the relevant years (PUA § 16-130(a)(6)).

Most of the utilities did not interpret PUA § 16-130(5) and (a)(6) in the manner just described. Therefore, the Commission requested that the utilities provide information enabling the Commission to calculate the revenue figures consistent with the Commission's interpretation of PUA § 16-130(a)(5) and (a)(6). A summary of this information is shown in Table 5.

Table 5: Base Year 1996 Revenue Data and Subsequent Years' Revenue Data

Utility	Year	Revenue per kWh per year applied to base year 1996 kWh ($ Thousands)	Revenue per kWh per year applied to each year's kWh ($ Thousands)
AmerenCIPS	1996	509,255	509,255
	1997	509,255	507,529
	1998	504,650	525,484
	1999	473,678	486,186
AmerenUE	1996	149,865	149,865
	1997	149,865	152,241
	1988	148,961	154,158
	1999	141,751	138,980
CILCO	1996	287,179	287,179
	1997	287,179	288,878
	1998	286,292	303,929
	1999	281,777	303,740
ComEd	1996	5,793,293	5,793,293
	1997	5,793,293	5,782,823
	1998	5,641,116	5,902,056
	1999	5,428,430	5,734,173
Illinois Power	1996	1,134,604	1,134,604
	1997	1,134,604	1,134,500
	1998	1,105,552	1,136,801
	1999	1,058,387	1,102,877
Interstate Power	1996	15,755	15,755
	1997	15,755	15,844
	1998	15,755	15,848
	1999	15,597	15,824
MidAmerican	1996	105,786	105,786
	1997	105,786	108,872
	1998	105,388	114,014
	1999	104,144	107,162
Mt. Carmel	1996	10,183	10,183
	1997	10,183	8,258
	1998	10,183	8,136
	1999	11,915	9,483
South Beloit	1996	8,288	8,288
	1997	8,288	8,567
	1998	8,288	8,766
	1999	8,234	8,669

Note: The information in this table was calculated by the Commission Staff based on information provided by the utilities upon request of the Commission Staff.

VII: Utility Revenue and Income

PUA § 16-130(a)(7) requires utilities to provide total revenue and net income amounts to the ICC, as reported on the utility's Form 1 report to the Federal Energy Regulatory Commission (FERC):

> **§ 16-130(a)(7): The electric utility's total revenue and net income for each calendar year beginning with 1997 through the calendar year preceding the year in which a report is required to be submitted pursuant to subsection (b) as reported in the electric utility's Form 1 report to the Federal Energy Regulatory Commission.**

Total revenue and net income figures, as provided to the ICC by each electric utility, are summarized in Table 6. The information does not in each case represent the utility's earnings that are solely derived from the utility's electric operations, because of other operations. In particular, the figures for AmerenCIPS represent that utility's gas and electric operations; the 1997 figures for Mt. Carmel include income from Mt. Carmel's gas operations; the figures for AmerenUE, Interstate Power and MidAmerican include amounts earned from revenue in other states; and, the figures for South Beloit include amounts earned from gas and water operations. The figures for ComEd, CILCO, and IP represent amounts derived from those utilities' electric operations.

Table 7 shows revenue and net income figures that represent amounts derived from each utility's electric operations only. The information in Table 7 was not specifically required by PUA § 16-130(a)(7) but is based on reports filed by the utilities with the Commission.

Table 6: Utility Revenue & Net Income, 1997-1999 [per pages 114 & 117 of the FERC Form #1]

	1999		1998		1997	
Utility	**Revenue ($ Thousands)**	**Net Income ($ Thousands)**	**Revenue ($ Thousands)**	**Net Income ($ Thousands)**	**Revenue ($ Thousands)**	**Net Income ($ Thousands)**
AmerenCIPS	876,459	53,981	847,424	80,146	852,076	38,620
AmerenUE	2,367,468	349,252	2,382,071	320,070	2,287,333	301,655
CILCO	562,524	19,250	541,092	44,235	557,359	53,467
ComEd	6,766,892	622,728	7,135,879	594,206	7,073,087	-773,773
Illinois Power	1,903,197	113,089	2,069,146	-1,355,916	1,773,841	-44,173
Interstate Power	343,232	30,846	356,128	18,757	331,847	29,168
MidAmerican	1,663,299	127,331	1,599,558	115,594	1,662,606	125,941
Mt. Carmel	12,083	677	12,219	337	11,881	108
South Beloit	16,389	2,003	16,353	2,543	15,191	1,737

****This is total Company Revenue and total Net Income (not Illinois or electric only)****

Table 7: Utility Revenue and Net Income From Illinois Electric Operations, 1997-1999						
	1999		1998		1997	
Utility	Revenue ($ Thousands)	Net Income ($ Thousands)	Revenue ($ Thousands)	Net Income ($ Thousands)	Revenue ($ Thousands)	Net Income ($ Thousands)
AmerenCIPS	743,812	77,208	721,918	114,983	700,517	95,488
AmerenUE	144,648	22,216	158,780	24,340	149,089	20,322
CILCO	372,892	36,384	360,173	56,168	338,298	54,177
ComEd	3,766,892	1,207,856	7,135,880	1,045,950	7,073,087	913,006
Illinois Power	1,598,828	241,486	1,781,388	594,841	1,419,942	250,156
Interstate Power	18,597	2,605	17,383	1,467	19,819	4,674
MidAmerican	123,890	21,525	125,343	20,470	124,815	22,923
Mt. Carmel	9,637	814	9,906	707	9,227	499
South Beloit	10,917	1,316	10,639	1,147	9,635	1,917

[1]In its 1999 Form 21 ILCC, 1998 Net Income was revised downward by Illinois Power from $594,841,000.
Source: "Revenue" represents "Total Electric Operating Revenues", "Net Income" represents "Net Electric Utility Operating Income," as reported in Form 21 ILCC.

VIII. Asset Sales to Non-Affiliates

PUA § 16-130(a)(8) requires utilities to provide the ICC with information about the sales of generating plants to non-affiliated third parties.

The information required by PUA § 6-130(a)(8) is stated as follows:

> **§ 16-130(a)(8): Any consideration in excess of the net book cost as of the effective date of this amendatory Act of 1997 received by the electric utility during the year from a sale made subsequent to the effective date of this amendatory Act of 1997 to a non-affiliated third party of any generating plant that was owned by the electric utility on the effective date of this amendatory Act of 1997.**

ComEd states that the sale of its generating assets to Edison Mission Energy in the manner described above was actually accomplished by Unicom Investments, Inc., and therefore, the sale is not reportable under this Section.

The sale by Illinois Power of its Clinton Power Station to AmerGen Energy Company, a joint venture of PECO Energy Company and British Energy, with a closing date of December 15, 1999, is not reportable under this section because the company did not receive any consideration for the plant in excess of the plant's book value as of the date of the amendatory Act of 1997.

IX. Plant Sales or Transfers to Affiliates

PUA § 16-130(a)(9) requires utilities to provide information about sales of transfers of generating plants to affiliated interests. The information required by PUA § 16-130(a)(9) is stated as follows:

§ 16-130(a)(9): Any consideration received by the electric utility from sales or transfers during the year to an affiliated interest of generating plant, or other plant that represents an investment of $25,000,000 or more in terms of total depreciated original cost, which generating or other plant were owned by the electric utility prior to the effective date of this amendatory Act of 1997.

On October 1, 1999, IP closed on the transfer of its fossil-fueled, and other non-nuclear, generating assets to Illinova Power Marketing, Inc. IP accomplished this transfer through a series of complex transactions. First, IP transferred its generating assets to Illinova Corporation, IP's parent company. Illinova Corporation then transferred the assets to Illinova Power Marketing, Inc, or WESCO, which is a wholly-owned subsidiary of Illinova Corporation. IP received an interest-bearing note from Illinova Corporation of $2.7 billion and Illinova Corporation made a capital contribution to WESCO for $2.7 billion thereby completing the transaction.

On December 15, 2000, ComEd closed on the transfer of its fossil-fueled generating assets. The transaction was accomplished by first transferring the assets to Unicom Investment, Inc. (UII), an affiliate. UII then immediately transferred the assets to Edison Mission Energy, a wholly-owned subsidiary of Edison International. UII paid ComEd $4.813 billion in the form of a demand note for $2.35 billion and interest-bearing term notes for the balance. UII received $4.813 billion in cash from Edison Mission Energy.

On May 1, 2000, AmerenCIPS closed on the transfer of all of its electric generating assets and associated liabilities to Genco. AmerenCIPS formed Genco by transferring all of its generating assets to Genco for 100% of the Genco stock and a promissory note for the $543 million book value of the assets. AmerenCIPS then transferred its Genco stock to Ameren Corp. Ameren Corp. transferred the Genco stock to an Intermediate Holding Company (IHC) (newly formed for this transaction), which held certain interests in new gas-fired generation facilities and was certified by FERC as an Exempt Wholesale Generator (EWG). IHC transferred its interests in the gas-fired generation facilities to Genco thereby loosing its EWG status and Genco was certified as an EWG. AmerenCIPS did not recognize a gain on the transaction as the assets were transferred at book value.

X. Plant Sales or Transfers by Affiliates to Non-Affiliates

PUA § 16-130(a)(10) requires each utility to provide information about the sales of generating plants by the utility's affiliates to third parties. The information required by PUA § 16-130(a)(10) is stated as follows:

§ 16-130(a)(10): Any consideration received by an affiliated interest of an electric utility from sales or transfers during the year to a non-affiliated third party of generating plant, but only if: (i) the electric utility had previously sold or transferred such plant to the affiliated interest subsequent to the effective

date of this amendatory Act of 1997; (ii) the affiliated interest sells or transfers such plant to a non-affiliated third party prior to December 31, 2006; and (iii) the affiliated interest receives consideration for the sale or transfer of such plant to the non-affiliated third party in an amount greater than the cost or price at which such plant was sold or transferred to the affiliated interest by the electric utility.

The sale of ComEd's fossil-fueled generating assets is not reportable under this section because the affiliated interest did not receive consideration in an amount greater than the amount it
paid to ComEd.

XI. ComEd PUA § 16-111(k) Commitment

Senate Bill 24 (PA 91-50), in response to ComEd's 1999 fossil generating asset sale, created PUA § 16-111(k) which reads:

If an electric utility is selling or transferring to a single buyer 5 or more generating plants located in this State with a total net dependable capacity of 5000 megawatts or more pursuant to subsection (g) of this Section and has obtained a sale price or consideration that exceeds 200% of the book value of such plants, the electric utility must provide to the governor, the President of the Illinois Senate, the Minority Leader of the Illinois Senate, the Speaker of the Illinois House of Representatives, and the Minority Leader of the Illinois House of Representatives no later than 15 days after filing its notice under subsection (g) of this Section or 5 days after the date on which this subsection (k) becomes law, whichever is later, a written commitment in which such electric utility agrees to expend $2 billion outside the corporate limits of any municipality with 1,000,000 or more inhabitants within such electric utility's service area, over a 6-year period beginning with the calendar year in which the notice is filed, on projects, programs, and improvements within its service area relating to transmission and distribution including, without limitation, infrastructure expansion, repair and replacement, capital investments, operations and maintenance, and vegetation management.

SB 24 concurrently revised the reporting requirements of PUA § 16-130 by adding an eleventh item:

§ 16-130(a)(11): A summary account of those expenditures made for projects, programs and improvements relating to transmission and distribution including, without limitation, infrastructure expansion, repair and replacement, capital investments, operations and maintenance, and vegetation management, pursuant to a written commitment made under subsection (k) of Section 16-111.

ComEd provided the following information in response to PUA § 16-130(a)(11). The total expenditures represent 27% of the required $2 billion in the first year of the mandated 6-year period.

ComEd's 1999 Transmission and Distribution Expenditures Outside Chicago ($ thousands)	
Operation and Maintenance	$132,935
Capital Installation	$411,798
Total 1999 T&D Expenditures Outside Chicago	$544,733